

Nation's Business

A USEFUL LOOK AHEAD

JULY 1965

**How business
will be a year
from now**

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**LABOR'S
NEXT
DECADE**

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New era ahead for your state **PAGE 56**

Where wage-fixing keeps kids idle **PAGE 34**

Are you getting across to employees? **PAGE 74**

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*TRADEMARK OF GENERAL MOTORS CORPORATION



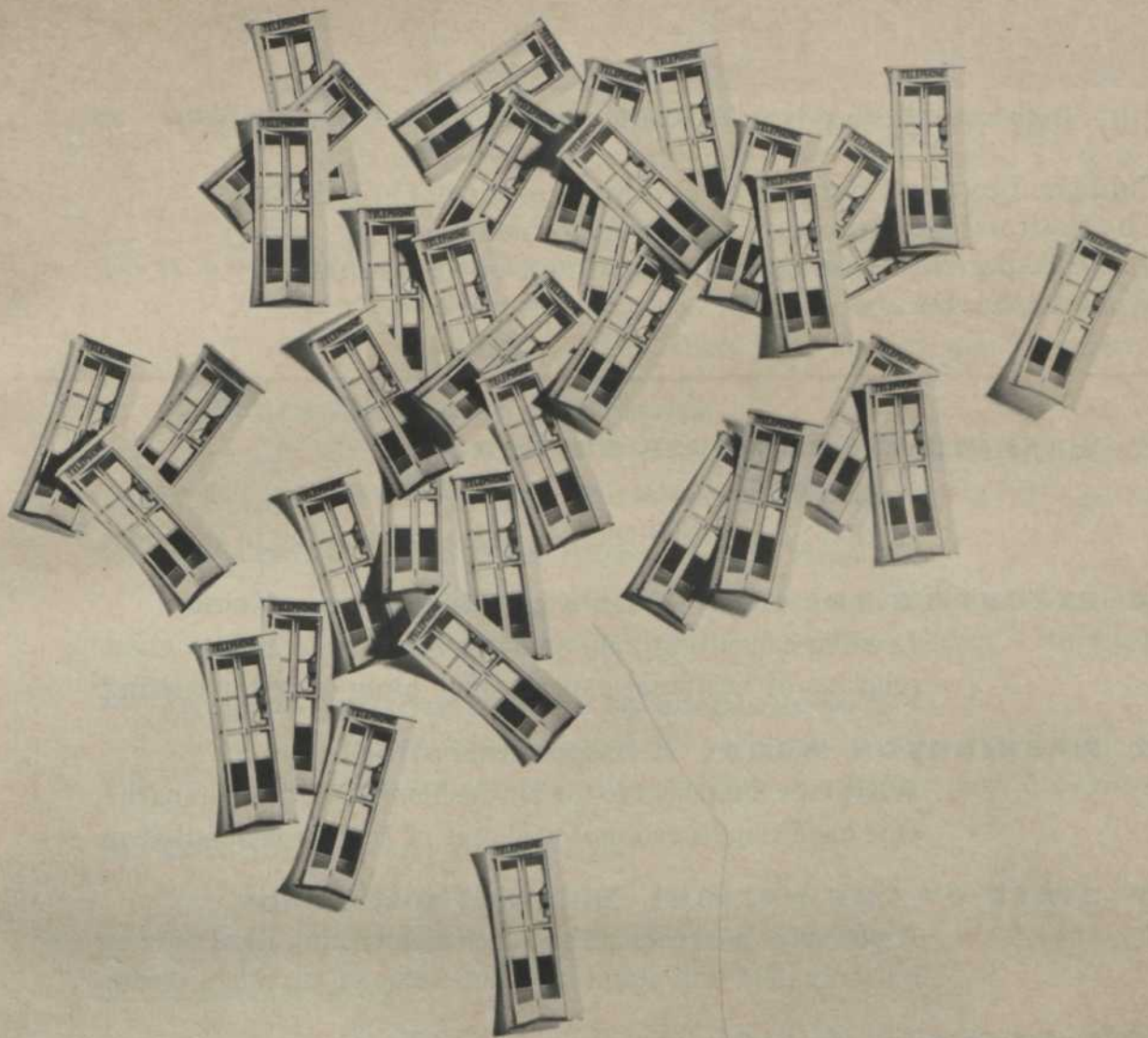
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Albuquerque's yearly commission: \$3946.46

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and Associated Companies

Nation's Business

July 1965 Vol. 53 No. 7

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4,500,000 companies and professional and business men
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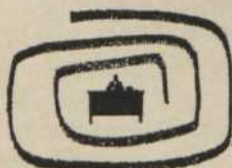
Comparison of Uncle's spending with that of us taxpayers demonstrates that frugality is in the eye of the withholder

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solves them in seconds.



This business machine tackles big loads and hauls them for \$16 less a day. It has the GMC Toro-Flow Diesel engine.

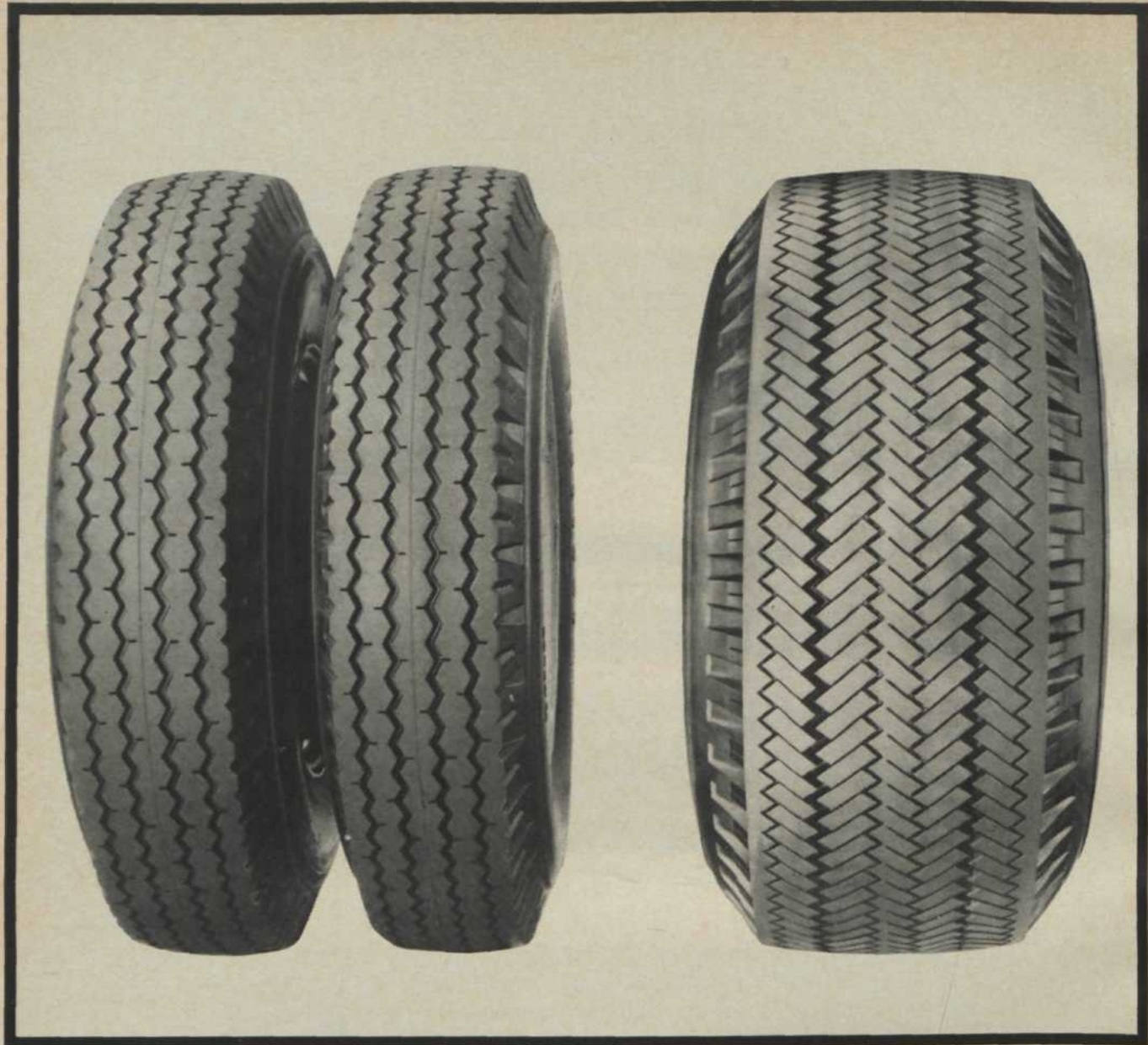
Irvin W. Stevens owns a construction business in Decatur, Illinois. He switched from gas power to the GMC Toro-Flow Diesel engine. Read what happened.

"My trucks haul eight to ten yards of gravel a trip. The gasoline-powered trucks average about 4.3 miles to the gallon. The new Toro-Flow Diesel is averaging 8.8 miles to the gallon and it's comparable to the gas trucks. That's a \$16 a day savings on fuel. Plus that,

there's no comparison on handling and power. I recommend Toro-Flow with no reservations."

Thousands of truck owners have had similar experiences—haulers of milk, lumber, produce, you name it. Now it's your turn. Your GMC Truck dealer will help predict how much money you can save with the Toro-Flow Diesel engine. Have your secretary arrange an appointment for him today.





it used to take two . . . to do what one Duplex can do

Firestone Duplex tires shrink inventories drastically. In fact, one Duplex tire and rim replaces 13 dual tire, tube, rim, and wheel parts. And that's just a starter.

You get flotation and mobility like never before—especially in soft, sloppy going. Where duals put down a pair of slim tracks, a Duplex tire gives you one big, wide, flat “footprint” . . . goes where duals fear to tread.

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But the Duplex tire does more than just *save* money for you. It helps you to *make* more money by reducing axle weight up to 300 pounds . . . per axle!

That, of course, means bigger payloads on every trip, including trips to the bank. And you'll make more trips on Duplex tires, thanks to Firestone's long-mileage Sup-R-Tuf rubber.

Ask the tire experts at your nearby Firestone Dealer or Store about new Duplex truck tires and the low-cost *Duplex Changeover Plan*. And remember, always specify Firestone tires and rims on new trucks and trailers.

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Firestone

YOUR SYMBOL OF QUALITY AND SERVICE

WASHINGTON BUSINESS OUTLOOK

Aim on Capitol Hill is to complete law-making session by early August.

But views on quitting at that time are not unanimous.

Explains one congressman:

"Some of these fellows in the House would just as soon stay in session longer. One of the reasons is that they get headline publicity in their hometown newspapers and now and then get on television by their activities in Washington while their activities back in their congressional districts are often less newsworthy."

Best guessing is that session will run beyond early August.

For one thing, Congress faces final action on total \$112 billion new spending authority proposed for fiscal year beginning this month.

Other major nonspending issues are pending.

Despite efforts to ram legislation through to vote—many times with limited public discussion, sometimes without any public hearings at all—legislative docket is loaded with hot-potato issues.

These include wage-cost proposals such as federal requirement that double-time wages be paid for overtime work after 48-hour work-week. Proposal would step up double-pay requirement for time after 45 hours in one-year stages.

Advocates want hurry-up vote, quick okay. But final action may be put off. Those who want it claim it would reduce unemployment but others point out that it's sure to boost business operating costs and would not create new jobs.

Central issue, however, is whether collective bargaining and operations of free market will determine wages or whether government is to extend its own wage-fixing authority. (See article on page 84.)

Another far-from-settled issue is compulsory unionism.

Repeal of Section 14(b) of Taft-Hartley Act would cancel state laws that forbid forcing workers to join unions to keep their jobs.

Secretary of Labor Willard Wirtz wants repeal, stresses that "all who receive benefits of union representation should contribute to its support, particularly its financial support."

Others point out that forced membership in unions would mean that workers' dues could be used by unions in support of political issues which individual workers might not wish to support, such as promoting antibusiness candidates for public office.

AFL-CIO President George Meany claims that repeal of Section 14(b) would let "the labor movement . . . devote the energies they now waste in sterile combat [over right-to-work laws] to advancement of the greater society we all seek."

Businessmen note that repeal of this section would result in intensified efforts to organize unions in more small businesses and that more union-management unrest and disruption of business operations would come about.

There's still pressure to boost minimum wage.

It's \$1.25 an hour now, with proposals that would hike wage floor 25 cents in each of next three years.

President hasn't specified desire to boost pay floor but there's pressure in Congress anyway.

Issue grows hotter this month as Congress considers broader coverage—extending pay-floor controls to industries with total of some 4.6 million employees.

Subsidized laziness—paid for with your tax dollars?

You could call it that. Economists have tech-

nical term for it—"disincentive." It means there's little or no motivation for working harder, no reward for attempting to upgrade family income.

What's involved is a section of Housing and Urban Development Act of 1965 which would provide that Housing Administrator "may subsidize a tenant's rent in an amount up to the difference between the fair market rental for the unit and one fourth of the tenant's income."

Would work like this, according to congressmen who have studied rent subsidy plan:

Family with \$250 a month income lives in \$100 a month apartment. Family pays \$62.50 rent, or one fourth of income. Uncle Sam subsidizes \$37.50 a month to make the \$100 payment.

Federally subsidized rent plan would be on sliding scale.

Suppose family head earns pay raise to \$300 a month. Now he pays \$75 rent and Uncle in Washington puts up another \$25 to make full \$100 rent payment.

Fact is, family with \$250 a month income would have to boost his earnings to more than \$400 a month before having to pay full rent with no federal subsidy.

To qualify for federal rent subsidy, primary requirement would be that tenant be unable to get "standard privately owned housing at a rental no more than one fourth of his income."

But government doesn't define differences between tenant's needs and his desires.

This could lead to baffling and inequitable situations, opponents point out.

For example, suppose a man with \$250 a month income "desires" to live in \$200 a month apartment instead of one renting for less. In this case, he still pays only \$62.50 and taxpayers pick up tab for \$137.50.

This means a man with \$250 earnings could live in \$200 a month apartment, with government paying the difference, while another man earning \$400 a month and living in \$100 a month apartment, would be paying higher taxes and taking no federal subsidy.

"This is a formula for killing the American incentive system of improving one's lot by one's own effort," say congressmen who oppose rent subsidy plan.

Their conclusion:

"This would be keeping up with the Joneses via federal subsidies."

Close and bitter fight in Congress shapes up on this issue.

Watch for next action in Senate this month or next.

Nation's Business interview sparks new peek-at-the-future studies by government forecasters.

Background: Nation's Business editors asked Dr. Andrew F. Brimmer, Assistant Secretary of Commerce for Economic Affairs, his views of major business trends for years ahead, special emphasis on the next five years. Article was published last month.

"Stimulated by that inquiry," Dr. Brimmer says, "we have undertaken a new projection for 1975."

His team of forecasters estimates 226 million people in America by '75. Compares with 194 million now.

Work force will number 94 million, with employment hopefully above 96 per cent. There are 78 million Americans in the work force now.

Comparison:

Work force has been growing less than a million a year during the past five years. That's average. Growth will average half again that much—around 1.5 million new workers per year—in coming 10 years.

WASHINGTON BUSINESS OUTLOOK

Your employees in '75 will also be better educated.

"The percentage of the adult work force having four years of high school or more," Dr. Brimmer explains, "is expected to increase from 54 per cent now to 62 per cent in 1975—and this upgrading will take place all along the line through college and graduate work.

"Improvement in the educational attainments of our working people is one of the great hopes we have for increasing our ability to staff the increasingly more skilled and complex jobs which will develop in the next 10 years."

Production will average nearly 60 per cent higher 10 years from now.

Over-all output of goods and services in '75, population growth notwithstanding, will average an estimated \$4,340 per American.

It's approximately \$3,240 per person now.

"I assume that the economy will grow at least four per cent average annual rate in real terms (price changes discounted). This is somewhat better than the average growth rate of 3.5 per cent of the postwar high-employment years," Dr. Brimmer comments.

Prices, he believes, won't change much but are likely to continue a trend similar to recent years.

Implications of growth for business in general?

"Such an increase in output would be accompanied by corresponding increases in consumer purchases, which would involve a somewhat higher proportion of consumer durables such as autos, furniture and equipment and an extension of the rising trend in spending for services."

Will investment surge in years ahead?

The four per cent per year average rise he expects for business "would require heavy pur-

chases of new plant and equipment by business to expand capacity."

Dr. Brimmer and his forecasting team estimate that this kind of business investment will rise substantially in the next 10 years.

What's indicated is that businessmen on the whole will be spending something like \$90 billion a year for growth by end of the period.

Note: This study of business conditions by 1975 is preliminary.

More detailed information will become available in months ahead.

What is profit? What service does it perform for the nation? Why is profit motive a valuable national asset?

There's a new booklet—"Profits and the American Economy"—published by U. S. Department of Commerce (Washington, D. C.) and available for 25 cents.

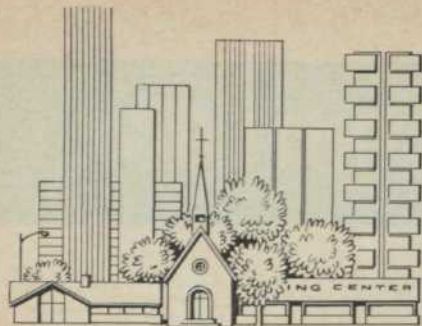
It's another publication in "Do You Know Your Economic ABC's?" series, simplified explanation of profit incentive and how it stimulates business growth.

Expresses this viewpoint:

"No wise American will contend that our capitalistic system, motivated by the profit incentive, has worked perfectly or that it has not faced problems, but most of us will agree that it has worked well for American business, for the American consumer, for American labor, for a growing number of American stockholders and for the American economy as a whole.

"... We would do well to remember that our private enterprise system is the world's mightiest economic engine. It has generated the highest profits, wages and family income in man's history. It has achieved a broadly based distribution of goods and services with many benefits to our citizens.

"It has given the United States of America the highest standard of living the world has ever known."



What kinds of loans can Savings and Loan Associations make?

When you think of home loans, you probably think of Savings and Loan Associations. That would be natural because they are specialists in mortgages on homes. They originated the modern amortizing home loan—payable monthly, like rent. Many make FHA and VA home loans too.

But did you know that Savings and Loan Associations make many other types of loans? In recent years lending powers have been broadened so now many make loans for:

1. Home improvements
2. Apartment buildings
3. Commercial buildings
4. Churches, and private schools
5. Clinics, hospitals, nursing homes
6. Land developments
7. Urban renewal projects
8. College educations.

Also, many make "passbook" loans. If you have an account, you may borrow instead of withdrawing your savings. You have the money you need while your savings are still earning. And, the net interest cost is usually less than if you borrowed elsewhere.

As the nation's largest source of home loans, Savings and Loan Associations have always contributed to the growth of the communities they serve. Now, through even wider services, their contributions to the community will be greater than ever.



Savings and Loan Associations

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Business opinion:

Importer differs on domestic impact

To the Editor:

I read with great interest the letter in your May issue from Roger M. Blough, chairman, board of directors, United States Steel Corp., on competition in the steel industry. In discussing steel imports, Mr. Blough leaves the impression that much of the imported steel sold in this country is being "dumped" here, a practice "condemned by most nations."

No one would disagree that dumping is an unfair trade practice. One must, on the other hand, take issue with Mr. Blough when he says that imported steel is being sold in this country under terms that violate the provisions of the government's antidumping laws.

To review the definition of dumping, as cited by Mr. Blough, it is the "practice of selling in export markets at prices below those prevailing in the export country, when accompanied by injury, or threat of injury, to the industry of the importing country."

In the past three years, the domestic steel companies have caused the majority of almost 20 dumping complaints to be brought against imported steel. In only three of these cases, accounting for a tiny percentage of total steel imports, has a finding of dumping been made by the relevant authorities—the Department of the Treasury and the Tariff Commission. All other cases have been dismissed.

I agree with Mr. Blough that "interference with [the] competitive mechanism can only result in reduced benefits for the consumer and the investor, reduced job opportunities for the worker and reduced economic growth for the nation." In view of the fact that so many unsubstantiated dumping complaints have been brought recently against steel imports, the American public is entitled to ask who it is that actually is impeding the competitive mechanism.

Finally, it should be noted that domestic steel production reached an all-time record in 1964, that the

1965 pace is 17 per cent ahead of last year's, and that profits of domestic mills have increased substantially.

If international trade, which Mr. Blough recognizes as "vital," is to flourish, there should be few objections when trade partners and allies of the United States also benefit from the vitality of a given industry.

FRANCOIS P. ELTER
President
American Institute for Imported
Steel, Inc.
New York

Help in shopping

To the Editor:

In your May issue Frank I. Goldring says your March article ["Who Says Shoppers Are Stupid?"] on the "truth-in-packaging" bill is biased. He has so much trouble shopping, perhaps he should hire a school girl to help.

He also says the article proves nothing, but he is wrong. Apparently, even though he has a master's degree, the article proves these school girls are a lot smarter than he.

LIONEL E. SAMUELSON
Hollywood Tailors
Houston

To the Editor:

Your May issue carries a letter accusing you of bias and superficiality in the article on the "truth-in-packaging" bill, and further, indicates that the article didn't prove very much.

Maybe the article didn't prove much, but the letter certainly proves you don't have to be as smart as the average housewife to get a master's degree in business administration.

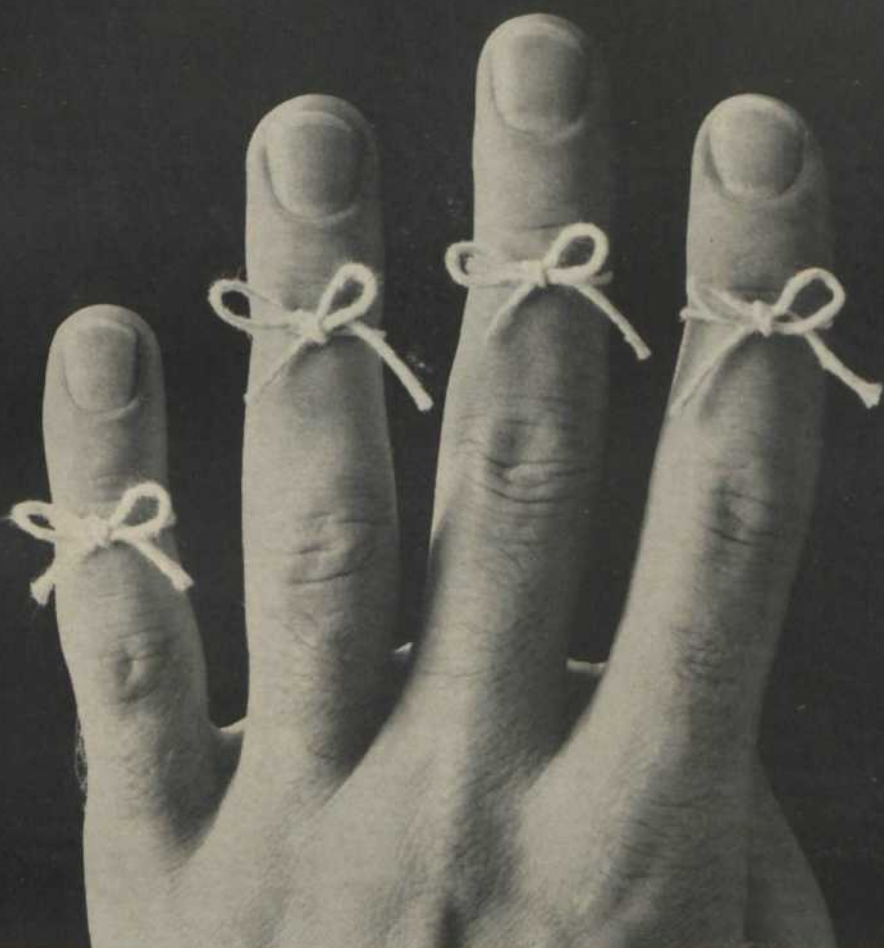
FREDRICK K. MCCARTHY
Indianapolis

Will to work

To the Editor:

Your treatment of the unemployment problem deserves commendation.

Being an employer, I find many of our semiskilled and unskilled



Just a reminder... you may need four men to help plan and protect your estate

**Make sure one of those men is
your New York Life Agent**

A man who can help you protect what you plan to leave is your New York Life Agent. How? Through an *estate conservation plan*. The trained New York Life Agent, with his knowledge and experience, can alert you to ways to prevent estate shrinkage... show you how to guarantee that ready cash will be available for taxes, final debts and settlement costs.

Your lawyer will guide you through the

over-all complexities of estate planning; but like your trust officer and your accountant, your New York Life Agent also offers specialized help. You owe it to yourself and your heirs to talk to him about an *estate conservation plan*. Call him soon, or write: New York Life Insurance Company, Dept. NB-21, 51 Madison Avenue, New York, N.Y. 10010. (In Canada: 443 University Avenue, Toronto 2, Ontario).

Life Insurance • Group Insurance • Annuities
Health Insurance • Pension Plans

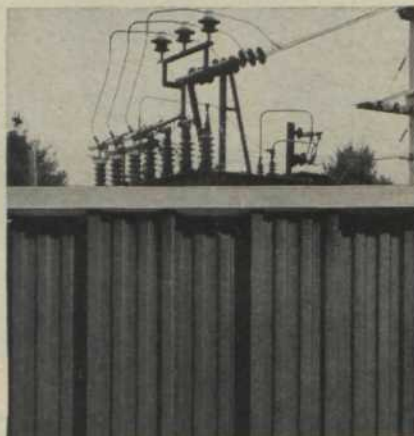




When you choose attractive Anchor Fence to protect your plant and grounds, you keep unauthorized personnel or trespassers out, provide protection for your buildings and supplies, and help control the flow of traffic. In galvanized steel or all-aluminum, Anchor chain link (with exclusive square corner, gate and end posts) is available with or without barbed wire.



Anchor-weave aluminum strips add style and privacy to chain link fences. Available in a variety of colors.



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City.....State.....Zip.....

job openings, though offering permanent employment, remain unfilled. I had felt for a long time that this was largely due to the "compensation miracle." Your story verified this belief.

I hope this article will receive wide acceptance throughout government and industry and that fact will prevail over politics.

FRED F. WEISS
Rego Park, N.Y.

To the Editor:

"What's Happened to the Will to Work" [May] was an interesting article.

Actually, nothing has changed. When a person's desires concerning economic position can be met equally well by working or not working, the majority has always chosen not to work.

Why does this surprise so many people?

ALBERT E. HARRISON
Ellijay Telephone Co.
Ellijay, Ga.

To the Editor:

There is a need for more information of this type to be printed and brought to the attention of more people.

FRED WESSENDORF
Superintendent
Sheffield-Chapin Community School
Sheffield, Iowa

To the Editor:

More Americans should have access to this article and perhaps become incensed at the abuses existing in unemployment compensation and in welfare-relief payments.

R. D. CLARK
Riverside, Conn.

To the Editor:

The article has been needed for a long, long time.

The thoughts may have been expressed before. If so, they continue to need expression.

WILLIAM J. SPEER
President
Modern Metal Industries
Verona, N.J.

To the Editor:

In that stupendously and grossly unjust article you cite only one side of the coin. Unemployment is a most frightful feature of the economic picture for millions of people who want to earn but are never invited to earn, and as they grow older, the situation grows more hopeless.

The writer is a university graduate.
(continued on page 90)



Would it speed up your business to have your San Francisco,



Chicago & New York operations (or 100 cities) in the same building?

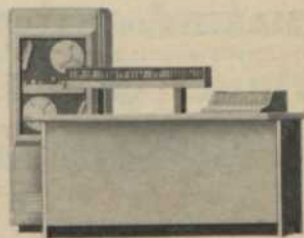


O.K. Where's your building?

It's done with NCR's new 321 Data Communications Controller. With it, you can record data on NCR business machines—and at the same time send it electronically to your home office computer. Data from 100 sources can flow simultaneously into an NCR 315 computer. Once

there, it can initiate a chain reaction to update all related records. All in a matter of seconds. To make remote branch operations as handy as the next office, call your local NCR man about the remarkable new 321. Or write to NCR Dayton, Ohio 45409.

N C R



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at the
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where the management
think it's as
important to supply
their guests with
a big, rich, luxurious towel
as it is to
give them a heliport.
After all,
they say, how many
people use the heliport
versus how many bathe.
The towels,
needless to say,
are status towels by

MARTEX® and FAIRFAX®
twin names in quality towels



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The Yale Motor Inn is supplied by the
American Linen Supply Co., Inc., New Haven.

Executive Trends

- Who's getting the promotions
- How to write persuasive letters
- Care of cry baby employees

Do your chances for getting ahead diminish after you pass 50?

A study of promotion and job tenure patterns in 18 major companies gives new evidence that the answer is "yes"—particularly for highly paid managers.

McKinsey & Company, Inc. made the study over a seven-year period. Men whose careers were closely observed were in the highest paid one half of one per cent in their firms.

Why the slowdown in promotions after age 50?

The consulting firm says it's explained not merely by the narrowing pyramid at the top. "It probably also reflects top management's preference for men in their 40's when promotions are made to more important jobs," says Arch Patton, the McKinsey director who conducted the study.

Other conclusions:

Almost a third of the executives were not promoted at all. Nearly two thirds got one promotion or less. One third were promoted either two or three times, while just under five per cent were advanced four or five times.

There was a substantial number of lateral, nonpromotional moves among the men studied, according to Mr. Patton.

Demotions averaged less than two per cent of the total moves. But this was larger than researchers expected.

A surprisingly high proportion of the promoted executives had been in their previous jobs 18 months or less. About 42 per cent of all the managers had a boss-subordinate

relationship of less than 15 months; for two thirds, the relationship was only nine months.

"With a boss-subordinate relationship lasting less than 15 months, how effectively can individual performance be appraised?" Mr. Patton asks.

His summation: "The relatively short boss-subordinate relationship casts some doubt on the practice of using lateral moves for 'training purposes.' This is particularly true among companies with executive incentive plans, which necessarily require sound once-a-year judgments of individual performance to pay equitable bonuses."

• • •

Specialists who make their living by writing persuasive letters say any businessman can get more results from his correspondence by following a few simple rules:

1. Forget the preliminaries and get to the subject of your letter right away.
2. Use short, simple words and avoid trade lingo. ("If you know Greek, do not display it but save it for when you are talking to Greeks.")
3. Keep your reader in mind, and his question: "What's in it for me?"
4. When writing, be yourself.

These are the essential recommendations of several successful sales letter writers consulted by NATION'S BUSINESS.

One authority, Paul J. Bringe of Hartford, Wis., emphasizes brevity: "The business letter reader does not

Avis almost went broke giving away buttons.



Good old button.

Cheap new button.

5 million so far.

At 2½¢ apiece, that amounts to \$125,000. And that's a lot of money when you're only No. 2.

So our man in charge of buttons came up with a cheaper version. We're sure it'll work as well for everyone. (Like the Bishop in Africa who got 300 to inspire good works in his district.)

If all it took were buttons, though, the world would be on its way to being a better place.

But it takes more.

We don't just hang a button on a girl and expect miracles. Avis has a will to win and it rubs off. On her. And on the men who whisk the last cigar band out of the Plymouth.

Avis buttons are yours for the asking. But the button only works as hard as the people who wear it.

Once

is enough to pay for fence

Don't pay again for early replacement. Don't pay again for frequent painting. The coating on new USS CYCLONE Steel Fence—Aluminum-Coated lasts 3 to 5 times longer than the coating on galvanized chain link fence. And you get this longer life without the problem of painting.

This remarkable new fence combines the strength of steel with the corrosion resistance of aluminum. It far outlasts galvanized fence, and it has 50% greater strength, gage for gage, than all-aluminum fence.

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EXECUTIVE TRENDS

continued

have any more time than the business letter writer."

Orville E. Reed, a Howell, Mich. writer of direct mail and mail order copy, urges businessmen to avoid such stodgy phrases as "Yours of the 14th received."

With few exceptions, the pros still prefer the standard "Dear Mr. Jones" salutation—if only because it has a warm, friendly flavor.

P. S.: One letter-writing expert says "an amazing number of people will read a 'P.S.' before they read anything else in a letter." For that reason, he explains, the postscript can be an extremely useful place to add some item for extra emphasis or to summarize—with a different twist—the main point of your letter.

• • •

Projection: The need for managers in business and government is likely to increase at a rapid pace between now and 1975. That's indicated by a federal evaluation of the occupational outlook.

Government's experts see the manager-proprietor group increasing by slightly more than one fourth, faster than its rate of growth in the past decade and a half. Washington now counts some 7.5 million Americans in category of managers, officials and proprietors.

Note: While large chains may displace some opportunities for proprietors in decade ahead, experts anticipate growing demand for men to run small franchised businesses in food, cleaning, other fields.

• • •

Worried about rising costs and relations with unions? If so, you're in good company. NATION'S BUSINESS poll shows these are major worries of top managers.

• • •

If your business is typical it has at least one individual who might be described as a "cry baby."

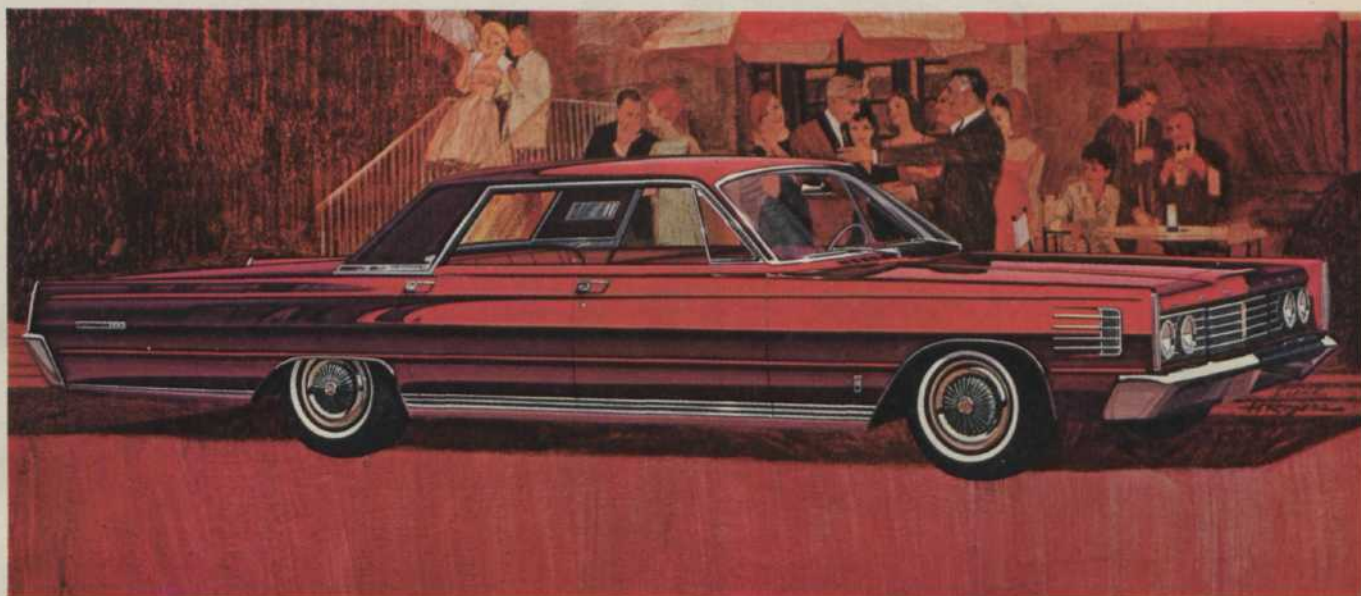
He's the perennial complainer. He might whine about company policy, a particular program, the failure of top management to listen to his ideas.

Psychologist Mortimer R. Feinberg, who has looked deeply into personality traits of businessmen, believes it is wise to listen to the cry babies, even if they grate on your nerves.

His reasoning: "While a complainer may present us with a dis-



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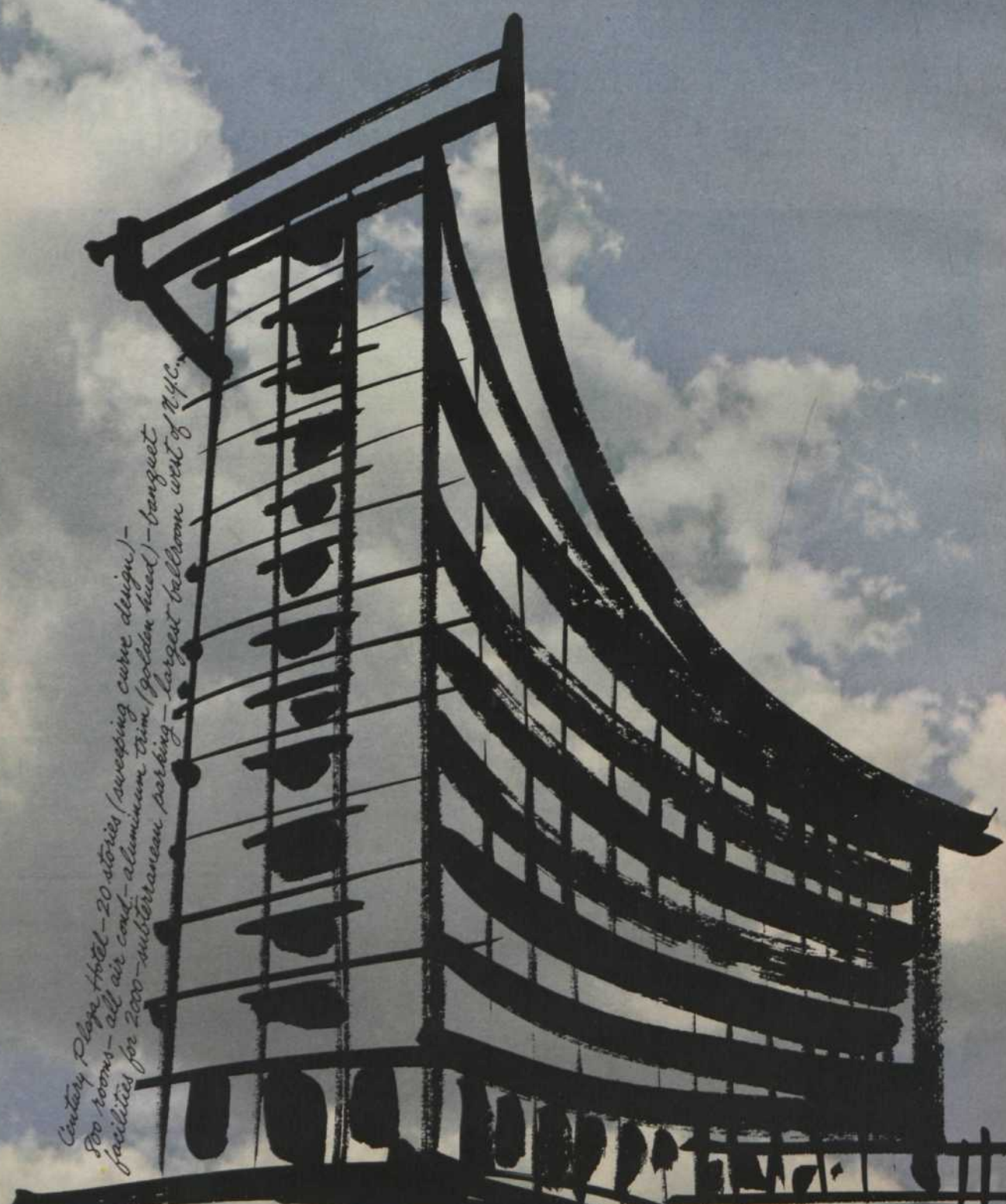
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EXECUTIVE TRENDS

continued

torted picture . . . he does set up some warning signals. By his complaining he may present areas (of the business) that need attention."

• • •

A new and disturbing trend is showing up in the long-standing problem of employee thefts.

A New York investigative firm, Management Safeguards, Inc., says there has been an alarming increase in the number of young people guilty of thefts ranging up to \$150,000. Many are youths under 20.

The blame? The investigators contend that management must bear partial responsibility, since in many cases young employees find themselves in atmospheres where "controls are loose, morale poor, supervisors indifferent."

• • •

Executive Intelligence: Salesmen, please note: Marketing/sales expert Charles L. Lapp says always treat receptionists with respect—"fat or skinny, they wield a lot of weight when it comes to getting you in to see your prospect." . . . Computers are booming in Europe, according to latest look-see by the Diebold consulting group; Germany leads Europe in number of computers installed and on order. . . . Does centralized management of U. S. subsidiaries hurt our image abroad? Swedish economist Sune Carlson says it does; on brighter note, Carlson forecasts expanding opportunities for U. S. firms doing business in Scandinavia. . . . New study shows it costs twice as much to make a sale in the drug and pharmaceutical field than in other industries. . . . Analysis of 8,251 cases of shoplifting in supermarkets shows highest incidence of thefts occurs between 3 p.m. and 6; shoplifters came from all walks of life. . . . New report on "Managerial Compensation" is available from Foundation for Research on Human Behavior, Ann Arbor, Mich. (\$3 per copy). . . . In more than half of job-vacancy cases studied by National Industrial Conference Board employers were willing to accept people with no related work experience; in more than one third of the cases no high school diploma was required. . . . President of a major union tells NATION'S BUSINESS his biggest headache is getting his members to move to areas of country where job openings are greatest.

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Washington's latest, most improbable gap

BY PETER LISAGOR

THE DOG DAYS usually find congressional politics taking a holiday in normal times, if only because the hard, sweaty, contentious journey through committee for most major legislation is well near the finish line. But it's been a different story this year.

Politics has been in the doldrums, if not on leave, almost from the day Lyndon B. Johnson took the oath as President in his own right last January and began to bombard the Congress with his Great Society blockbusters, some of which had been lying around for years for want of proper propulsion.

A few of the fierce old gladiators of yore faded early and slumbered late. Some were obviously intimidated by the overwhelming Democratic majorities in the House and Senate. Others doubtless felt the powerful drafts of persuasion from an unrelenting White House. The election results likely caused the fires of combat to be doused in Chairman Wilbur Mills of the House Ways and Means Committee, who single-handedly blocked the passes against "medicare" for four years. But Chairman Harry F. Byrd of the Senate Finance Committee appears to have yielded in the weary resignation of a Lee at Appomattox to the siren call of his old friend in the White House.

They stacked the Rules Committee and the Foreign Operations Subcommittee against the likes of old Judge Howard Smith, of Virginia, and Otto E. Passman, the Louisiana Democrat who plagued three Presidents with his meat-axe approach to foreign aid requests, and left them without sufficient troops.

But the decline of politics in the old grand style goes deeper than the decline of a few high moguls of the crucial committees. New young warriors with a taste for the opposition's blood have been conspicuously scarce, and the issues that used to excite and inform the public have been rare and all but nonexistent.

The Republican opposition has patently failed to develop a coherent voice of dissent on the President's domestic proposals, and the search for new ground on

which to fight the battle of federal bigness, profligacy, centralized control—the old foes—has been futile to date. G.O.P. alternatives have been late and lame, and there has been no certain trumpet or clear call to rally the scant troops to action.

In fact, the Senate Minority Leader, Everett McKinley Dirksen, of Illinois, has acquired a reputation as something of an amiable collaborator with the Administration. Not long ago, for example, Sen.

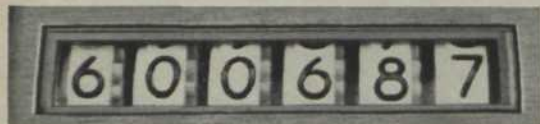


There's so little partisan blood-letting these days, you'd think that friendship was thicker than politics.

Dirksen appeared before a group of Republican women at a reception honoring him. He went before the microphones and, with the pleasing flourishes of the actor he once hoped to be, told how he was getting in shape to smite the Johnson proposals hip and thigh. He simulated a left jab and a right cross, in

Mr. Lisagor is the White House correspondent for the Chicago Daily News.

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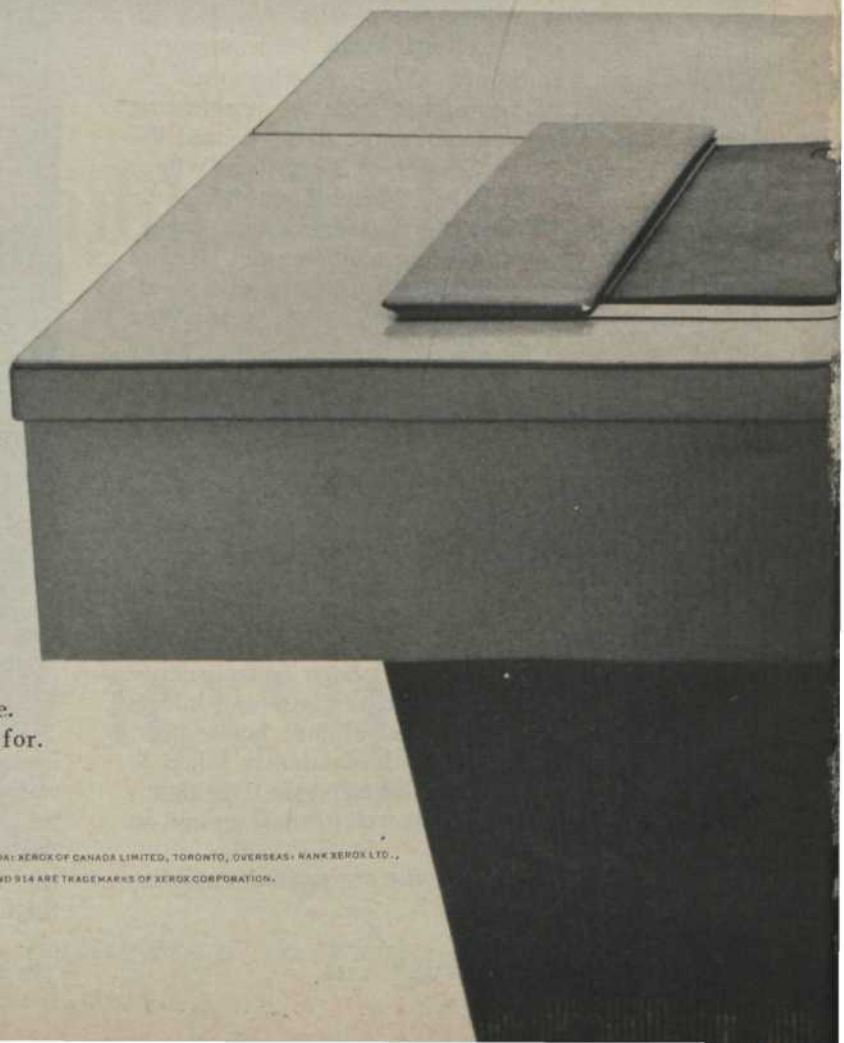
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TRENDS: WASHINGTON MOOD

the fashion of a prizefighter, and had the ladies enthralled. Then he looked at his watch, and unabashedly announced, "Oh, dear, you must excuse me. I'm late for dinner at the White House." The remark spoke volumes about the opposition here today.

A few weeks later, Former President Eisenhower described Mr. Johnson's conduct of foreign affairs as "impulsive," a word of some restraint for politicians, then repaired to the White House for dinner as LBJ's guest.

In the foreign field, the G.O.P. leadership has endorsed the policy of firmness as doctrine dating back to John Foster Dulles, ignoring any misadventures or maladroitness in operations. The only outcries come from a handful of Democrats, oddly enough, and they appear to be isolated, truly welcome only on the campuses. Although several key Democratic figures are known to harbor doubts and misgivings and fears about the Administration's policy in Asia and in this hemisphere, they have been silenced by party loyalty and a certain healthy regard for Lyndon Johnson's ability to turn a constructive critic into a patriot whose role in life is not to reason why.

Consequently, the President has what might be called a floating majority for his programs, the Democrats holding fast on the domestic side and the Republicans moving in to take up any slack on the foreign end. This is what Dr. Johnson ordered when he went reaching for a consensus, or broad agreement. In the way of the consensus-seeker, he has probed the woods for possible ambushes before starting out.

The issues that work up a fine froth of controversy have been blunted. For a brief hour, it looked like the antipoverty program might produce an old-fashioned political rhubarb. Any time the big cities unearth a fresh source of patronage, the scramble for the jobs usually jars enough noses out of joint to form a disgruntled nucleus, and therein lies dispute. But the prospective adversaries made their peace and retired from the arena.

The vacuum of debate and contention in Congress has been filled by the press to an extent that many of the Administration's bigwigs, from the President down, spend a good portion of their time challenging and refuting certain prestigious journals that circulate in these parts. These newspapers and magazines used to stay busy commenting upon the demurrers and indictments of Senator Whoozit or Congressman Whatsit, acting as judicious arbiters of the dispute. Now, however, the editorials have become participants in the drama and in one or two cases have established an independent policy of their own with all the diligence and propaganda skill of the government itself.

In sifting the reasons for this void of politics, veteran observers of the capital scene list the high level of prosperity as a factor of prime importance. People yelp when pinched, but do little more than brood quietly when the larder's well stocked. They are

turned inward with their private griefs, if any, and their spare time is far more likely to be spent watching television, manicuring the mortgaged spread, or tinkering with the second car than petitioning their congressman.

They have worried, of course, about war. Yet, not even Viet-Nam has grown so big as to make up the kind of casualty lists that affect enough friends, acquaintances, relatives, or someone in the next block to produce a burning political issue, at least not yet. The pacifists in the country have not organized themselves into an effective bloc, and the old isolationism has shown no signs of revival. It is interesting to note that many of the more vocal supporters of the Administration's restrained militance come from the Middle West, once the citadel of the isolationists.

This absence of controversy that shakes a nation has been detected among America's allies as well. Except for irritations caused by the postponement of the visits of the Pakistani and Indian heads of government to Washington, the political dialogues across the water have been muted.

French President Charles de Gaulle naturally must be excluded from this analysis of politics in abeyance, but the response to his ceaseless critique of U. S. policy in Europe, Asia, Latin America has been largely one of silence from President Johnson and other officials. If de Gaulle could muster an ally or two to join his soliloquizing, a lively scrap might be promoted. The prospect, however, is not bright.

Any worries about a British Labor government squaring off against Washington appear to have been ill-founded. Not even a highly articulate left wing in the Labor Party could force Prime Minister Harold Wilson to peck away at President Johnson's commitment in Southeast Asia and involvement in the Caribbean. The British are deeply engaged in Malaysia themselves, but even so Wilson probably wouldn't try to blow the whistle on LBJ to appease those on his left in London. He revels in Washington's goodwill, and if he has to go to the country in an election soon, it will not be a drag on him; on the contrary, recent history has shown it to be an asset.

The Germans face an election, and the stream of candidates to Washington amply illustrates that, while they may quarrel among themselves, Social Democrat Willy Brandt and Christian Democrat Ludwig Erhard, the present chancellor, want only blessings from the U. S. They may squabble about nuclear policy and U. S. actions elsewhere in the world at another time, not now. The same may be said about Italy, the Netherlands, Belgium, and even Greece and Turkey, whose relations are poised on the razor's edge.

In sum, Lyndon B. Johnson has somehow succeeded in putting politics on the shelf here and abroad. The course of Presidential concerns runs smoothly, and the opposition dossiers may be filling with material for an election year. Human nature hasn't changed, and politicians thrive best in a cussed environment. But for the moment, there seems to be a desperate political shortage of issues and men who can invigorate a political climate that has become humid and enervating.



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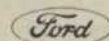
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RIDE WALT DISNEY'S MAGIC SKYWAY AT THE FORD MOTOR COMPANY PAVILION, NEW YORK WORLD'S FAIR

Nobody can pay bills with bottle caps

BY FELIX MORLEY

WITH THE CLOSE of the fiscal year on June 30, the federal government recorded its fifth straight year of deficit financing.

Much is made of the fact that we went in the hole less deeply than was anticipated when the budget for fiscal '65 was drafted. But this pleasant circumstance is overshadowed by the general acceptance of ever mounting debt as something normal and officially unperturbing even during a stretch of unprecedented prosperity.

Of the 20 years since the close of World War II only six have seen us in the black and that mostly by relatively small amounts. Another heavy deficit is anticipated for the fiscal year now opening. It will further inflate a national debt which is already over \$316 billion. So Congress has been instructed by the Treasury to raise again the highly elastic "debt ceiling." This is now only a reminder that the American people once really held the power of the purse.

No private business with a similar financial record could expect to survive, let alone pay dividends to its stockholders. But Washington poses as an exception to the rule of covering expenditures with receipts. For all its monstrous debt, which will take \$11.5 billion in interest alone during fiscal '66, wholly unearned dividends, in the form of countless subsidies, are constantly increased.

To the uninformed it must seem as though Uncle Sam had rediscovered the secret of fabulous King Midas, to whom the gods temporarily gave the gift of turning everything he touched to gold. Yet there is actually no mystery about the ability of modern governments, whether of Soviet Russia, the United States, or hybrid socialisms in between, to spend continuously more than they take in.

It is not done with mirrors but by a device essen-

tially similar to the trick of the emperors in the time of Rome's decadence, when they clipped the coinage in order to provide the popular circuses which the Senate refused to sanction. The managed currencies which are the space-age form of coin-clipping have all been more or less legalized. The result, however, in the form of consequent depreciation in the value of money, is much the same.

• • •

One might even surmise that the managed currency racket, for a racket it essentially is, traces back to the Midas myth. At a time when gold was the universal measure of value some imaginative Greek dreamed up a ruler who could create purchasing power at will. Now we achieve the same end by putting the fable in reverse. Rulers dispense with gold by telling their subjects that pieces of paper, nicely engraved and printed, are all that we need for money.

Thus the \$10 Federal Reserve Note states on its face that the U.S.A. "will pay to the bearer on demand ten dollars." Try to secure this redemption and probably you will receive a duplicate note, perhaps a little cleaner but otherwise identical. Conceivably two \$5 bills might be substituted.

Alongside this hocus-pocus the fable of King Midas seems quite contemporary, not less so for the snapper with which it ends. Because his food turned to inedible metal as it reached his lips, the monarch starved. In other words, there is no way in which real value can be created by governmental fiat. The moral is one on which the Keynesian economists might profitably brood.

Since the United States turned to irredeemable currency, in 1933, the paper dollar has lost so much of its value that an annual income of \$12,000 is now needed to equal the purchasing power of one of \$4,000 then. This is coin-clipping as extreme as anything practiced in ancient times. Nevertheless, those who have been able to up their incomes in proportion have not been injured. Some less appreciated results

Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.

TRENDS: STATE OF THE NATION

of managed currencies are more universally damaging. A loss affecting every citizen is that "power of the purse" which our forefathers strove so valiantly to achieve. Subordination of the monarch to elected representatives of the people, in determining the amount and direction of governmental expenditure, was one of the great landmarks on the road to freedom. It is embodied in our Constitution by the provision that: "No money shall be drawn from the Treasury, but in consequence of appropriations made by law."

While technically observed, this prohibition actually became a dead letter when the dollar ceased to be redeemable. That now discarded safeguard provided an almost automatic check on governmental extravagance. The mere possibility of redemption meant that money would not be created, whether by printing press or in the more refined form of monetized debt, beyond the limitation of the gold reserve and the anticipated demands for redemption.

The clever but fundamentally immoral device of irredeemable currency has changed all this. It has again placed the power of the purse in the hands of non-elected officials, just as it was when the *Mayflower* sailed. There is certainly irony in the effort to guarantee votes for everybody, after the vote has become worthless as a control over any form of federal extravagance.

It cannot be said that any communist genius planned the substitution of irredeemable currency with the clear purpose of making centralized dictatorship easy. During the lifetime of Karl Marx, indeed, all the more important nations adhered scrupulously to the gold standard, the more so for the record of disaster that in the long run has always ruined countries that failed to protect the value of their money.

But Lenin publicly welcomed the change when the staggering costs of the first World War undermined the gold standard in all of Europe, Russia included. And there was further communist approval in 1933 when President Roosevelt "made the manipulation of the value of the currency an open and admitted instrument of public policy." The quotation is attributed to Secretary of the Treasury Morgenthau, in his famous "Diaries."

There are, of course, many effective criticisms that can be made of the old gold standard, though it is noteworthy that most of them have been thought up since redeemable currencies were abandoned. Undeniably, however, the age of modern dictatorships began when this great change was made.

This is no mere coincidence, even though the connection is concealed by the well advertised social purposes to which the usurped power of the purse is put. From Moscow to Washington, traveling either east or west, it is argued in almost every capital that the great virtue of unlimited government is its al-

leged ability to improve the lot of the people. Undoubtedly this official claim is often sincerely made. But it is disconcerting to see both "slave" and "free" worlds in such complete agreement on the importance of irredeemable managed currencies for the creation of great societies.

Indeed there is now only one outstanding chief of state who argues without equivocation that civilization would be in better shape if the great trading nations would restore the time-tested gold standard, which perhaps should be done in concert if it is done at all. President de Gaulle of France is often accused of having dictatorial leanings. But the charge is blunted by his demonstrated willingness to subject the spending of his government to wholly non-political controls. That is the practice of democracy, as contrasted with mere lip service.

The manipulated currency systems of the principal trading nations have now been coordinated and fairly well stabilized by a whole network of intricate governmental arrangements. One serious difficulty, however, remains essentially unsolved and, for our own country, is perceptibly moving towards crisis proportions.

It is not difficult for a powerful government to declare anything legal tender in the territory which it controls. Instead of irredeemable paper it could decree the use of bottle caps, as was suggested in a science fiction story not long since. All that is needed is complete governmental control of what passes for money.

The hitch comes when traders under another sovereignty are asked to accept dubious payment for the goods they sell abroad. Compensation in international transactions must be acceptable to the seller, or he will simply decline to sell. The bottlecap currency worked, in a very readable story, only because it was used in a community having no contact with the outside world.

In the last analysis gold remains, as it has always been, the one enduringly acceptable form of settlement for international balances. Appreciation of this forced the United States to continue to redeem paper dollars in gold when demanded by foreign central banks, even though identical dollars became irredeemable when held by American citizens at home.

With our continuous deficit financing now seemingly settled policy, foreign doubts as to the future worth of the dollar have naturally increased. They are reflected in the persistent drain on what has now become a very emaciated gold reserve. It is a highly unwelcome situation, which half measures may not suffice to meet. And those who regret the passing of the old gold standard are entitled to draw the obvious moral:

Gold still stands up, when faith in irredeemable paper currency grows as thin as the paper on which government can so easily stamp arbitrary values for domestic purposes.

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It has now been a decade since the American Federation of Labor and Congress of Industrial Organizations merged to end 20 years of a divided national labor movement. In that time union leaders have come to realize that unions are losing whatever appeal they have to workers as an economic force, and that unions will fade into insignifi-

cance unless they develop a greater political base.

Hence, the unionists' goal in the next decade is to dominate government at all levels, in all areas of responsibility, and to use government as a prime source of power to win economic and other aims.

This is the unmistakable conclusion reached by editors of NATION'S BUSINESS after interviewing scores of top union leaders, businessmen, government officials, labor relations attorneys, mediators and other experts for the past three months.

The outlook, for these years, then, is that:

► Unions will attempt to assert more influence in and on the administration of government and on legislation of all kinds.

► Consequently, there's greater risk that government will side with unions even more than it has in all aspects of your business, particularly in your relations with employees.

► The rise in union membership will not keep pace with the growing labor force and, thus, membership will continue to shrink in relation to the potential.

► Even so, the muscle unions flex may increase far out of proportion to the number of members because of political considerations and the size of unions, which will expand through mergers in closely related industries.

► Workers will be less inclined to strike and will assert more influence on national union leaders, pressuring them to show more con-



MERKLE PRESS

Unions will rely more on government help. Leaders hear promises from House Labor Committee Chairman Powell (left). President Johnson greets unionists with Chief Labor Lobbyist Biemiller.

cern over the wants of members at the local level.

► New and younger unionists stepping into leadership posts will shift their focus from the traditional wages, hours and working conditions to political, community and social problems.

► Union demands on employers will reflect growing interest in job security, health, insurance and pension benefits, and less work for more pay.

Side-stepping bargaining table

Unions in the years ahead will rely more heavily on government to help them obtain objectives which employers may not be able or willing to give at the bargaining table. This underlies the unions' growing political activity.

The AFL-CIO political machine matches and in some localities surpasses the major political parties in effectiveness. Its lobbyists now claim substantial majorities in both branches of Congress and are in-

creasing their hold on many state legislatures.

The Eighty-ninth Congress, in fact, has 63 members, or 63 per cent, in the Senate and 298, or almost 69 per cent, in the House who were elected with union support or have voted "right" more than half of the time on organized labor's check list of federal legislation.

The union role in state legislatures will become more prominent as court-enforced reapportionment increases the representation of the big cities, where unions are stronger, at the expense of rural areas.

Besides electing more supporters to executive as well as legislative office, unions are influencing appointments to administrative agencies and helping public officials recruit key staff members who sometimes play important roles in decision-making.

The AFL-CIO's chief lobbyist, Andrew J. Biemiller, former Democratic member of Congress from Milwaukee, admits: "We fight for adequate representation on every

government body that affects the rights and the well-being of labor."

Having served with Lyndon B. Johnson on a House subcommittee years ago when the President was a young congressman from Texas, Mr. Biemiller has easy access to the President and is frequently consulted for advice on legislation and government appointments.

His help and that of other labor leaders has been publicly acknowledged by the President and Lawrence F. O'Brien, White House legislative chief.

Friends in court

The importance of judges who favor unions is not being overlooked by their leaders. Associate Justice Arthur J. Goldberg of the United States Supreme Court, as CIO counsel, drafted the AFL-CIO merger agreement and is largely credited with its consummation on Dec. 5, 1955.

Judge George C. Edwards, Jr., who sits on the Sixth United States Circuit Court of Appeals in Cincin-

nati, which enforces many decisions of the National Labor Relations Board involving employers in the highly industrial areas of the mid-west, formerly was welfare director of Walter Reuther's United Automobile Workers.

Former union members also sit on many lower courts.

The extent of union influence at all levels and in all areas of government alarms many who are in a position to observe it at close hand, including some who helped put across earlier union goals.

"We're heading for a labor government," warns Gerard D. Reilly, who served under President Roosevelt as a member of the National Labor Relations Board and solicitor of the Department of Labor.

The late Frances Perkins credited Mr. Reilly with playing an important part in pushing the original wage-hour law through Congress in 1938 while she was Secretary of Labor and he her solicitor.

"With the present lineup in Congress," the Washington attorney and labor law expert told NATION'S BUSINESS, "almost any labor-backed legislation has a good chance of passing."

"If Congress repeals Section 14 (b) of the Taft-Hartley law which allows states to protect the right to work without joining a union, look out for more radical legislation to follow."

"Decisions of the Labor Board are helping unions to organize and accelerating a trend toward co-management of business. Unless there is public revulsion to what's happening, the ability to manage an enterprise will be severely circumscribed and unions will become equal partners, as they are in some European countries where unions by law have representatives on boards of directors of some companies."

A Detroit executive whose company operates internationally also alludes to the European parallel. He notes that our unions are borrowing many features of European unionism and that becoming more politically minded is one of them.

A member of the United States Senate, one of the Democratic majority, is convinced that we already have a labor government.

"It's not labeled that, but we have it nevertheless and it's being developed covertly," says the senator, who is from a heavily unionized state and asked not to be named.

"Union leaders can dictate many appointments, and where they can't

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POLLS FIND CONSENSUS:

PEOPLE WANT RIGHT TO WORK

PUBLIC SUPPORT of the right to work without being forced to join a union remains high despite increasing union attack.

National opinion and developments in the 19 states which have laws against compulsory union membership are being watched closely for their possible effect on the fight raging in Congress over union demands for repeal of Section 14(b) of the Taft-Hartley labor law.

Repeal would in one swoop nullify the 19 state laws.

A new survey by Opinion Research Corporation reveals that a record high of 70 per cent of the adult population who have an opinion support the principle expressed in 14(b).

In six previous ORC studies conducted since 1944, when Florida and Arkansas enacted the first legal protections of the right to work without joining a union, public opposition to compulsory unionism ranged between 62 and 55 per cent before it jumped to 64 per cent in 1962, and then 67 per cent last year.

The latest survey also showed that a majority, or 55 per cent, of union members who express an opinion favor keeping union membership voluntary by retaining 14(b).

These national findings jibe with those made almost simultaneously in Iowa by a leading metropolitan newspaper. The newspaper's poll showed that 73 per cent of the public and 55 per cent of the union members favor retaining the state's 18-year-old right-to-work law.

The Iowa Senate rejected, 31-27, a bill backed by Gov. Harold E. Hughes to repeal the state's right-to-work protection. Adding to the significance of the defeat is the fact that the governor is a Democrat and the Senate is controlled by a 34-25 Democratic majority.

In President Johnson's home state of Texas, where Gov. John B. Connally opposes repeal of 14(b), the legislature adopted a joint resolution backing the governor. The vote in the House was 100-33. The Texas right-to-work law had Lyndon B. Johnson's endorsement until he became a candidate for vice president.

In the latest ORC survey those interviewed were given an explanation of Section 14(b) and the effect of repeal, then asked whether or not they favored repeal.

Every public group—whether classified by race, education or income level, section of the country, union membership or sex—opposed repeal.

When asked to identify reasons why they think union leaders want Congress to repeal 14(b), the public emphasized those related to union power.

Topping the list was 27 per cent who feel that union leaders "are ambitious for more power." Next was 25 per cent who feel "it's easier to call a strike when everyone has to belong to a union."

WHERE WAGE-FIXING



DON RUTLEDGE-BLACK STAR

Hopkinsville, Ky. dropped plans to put needy youngsters to work on school grounds and in cafeterias under Administration's antipoverty program after the Labor Department insisted that they receive the federal minimum wage, above the going rate for regular employees.

KEEPS KIDS IDLE

Here's why some communities won't hire unskilled youngsters in spite of urgings and cash from Washington

WHAT DO YOU THINK a youngster should get for mowing a lawn, washing a car or sweeping out?

Lots of kids are ready to do such things for reasonable pay, and lots of people are ready to hire them. This would at least help solve one of our nation's big problems. Everyone is concerned with the high number of unemployed and unskilled youths. In fact, the federal government is so concerned that it's starting a program called the Neighborhood Youth Corps. The idea is to give dropouts some experience in doing something useful and keep potential dropouts from leaving school.

Uncle Sam provides federal tax money for schools, hospitals, libraries, local police departments and the like to use for paying such kids. You'd think this would make it easy for such employers to take part. And many are.

But there is a catch that is causing many communities to say, "No, thanks." Uncle Sam requires that the youths be paid \$1.25 an hour, the federal minimum wage level.

Since it is tax money from Washington anyway, even this wouldn't be too hard to do. But when the youths get \$1.25 an hour, other employees in the same place naturally want at least that much and often more when they do more useful work.

Originally the Youth Corps program called for salaries equal to prevailing wages for comparable work. But after union leaders put the pressure on, the \$1.25 hourly minimum was set.

That's when several communities which had made complete plans to participate backed off.

The significance of their action—and the importance to business—goes far beyond the poverty program in light of the Administra-

tion's proposal to extend coverage of the minimum wage law to 4.6 million more workers. Many of these are in the lowest unskilled categories, the same sort of jobs for which Youth Corps dropouts and part-time workers might qualify.

Look at some examples: Butler, Pa., for instance, was once scheduled to get \$33,000 for a program involving 130 youths. They were slated to work part-time while remaining in school.

Karl W. Yingling, assistant school superintendent and coordinator of the poverty program for Butler County, says Washington approved a plan whereby the students would begin working in the schools in unskilled jobs at 85 cents an hour, compared to the \$1 paid cafeteria assistants and \$1.10 paid janitors.

It was felt that this would prevent students from dropping out for economic reasons, says Mr. Yingling, "unless they're some of these cowboys who have to have hot rods."

Then came the minimum wage order and Butler County balked.

"We will not pay them a dollar and a quarter an hour by a damn sight," Mr. Yingling told NATION'S BUSINESS. "We'd upset the whole financial structure."

Numbers game

Then the Office of Economic Opportunity, which runs the war on poverty, urged the school system to include hours spent in guidance counseling and related activities in computing pay rates, which would yield an hourly rate lower than \$1.25.

"We're not buying any of that flim-flam," says Mr. Yingling. "Why should we pay people for the time they spend in counseling? We don't buy their philosophy."

Much the same happened to Hopkinsville, Ky., which had planned to put 193 youngsters to work at 75 cents an hour as teacher aides, office help, janitors, grounds keepers and the like. The prevailing pay for such work is 65 cents an hour.

Hopkinsville was in the process of developing its application when the \$1.25 minimum order came down. "We just dropped the whole idea and haven't done anything more about it," says School Supt. Gene Farley.

The school system would have to raise wages for all its permanent help, he reports. It would like to but can't afford it. Last year, the system had only \$500 left over.

The minimum wage was cited as the reason why the school board in Knoxville, Tenn., refused to participate in the program, according to the agency's chairman, Dr. John Burkhart. "They definitely think \$1.25 an hour is too much."

The board originally had approved a program to put 600 dropouts back in school while working part-time at 75 cents an hour.

There appeared to be little community support for the program, he adds, and public approval of the school board's rejection seemed to outweigh criticism.

Some 100 miles away in Chattanooga about 1,400 youths are enrolled in the corps.

Experience there shows that many youngsters are performing work that is just not worth \$1.25 an hour, although some are actually doing work worth more.

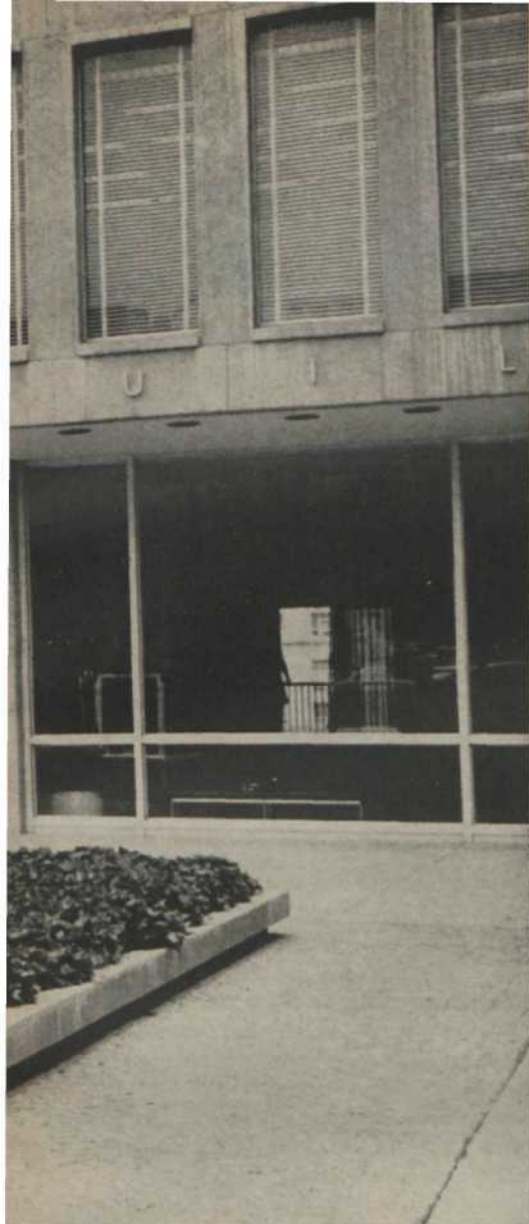
Work for the city police department, for example, ranges from relatively menial jobs like cleaning the jail and washing down police cars—also done by prisoners working off

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HOW LBJ PICKS HIS MEN

WANTED: Brilliant executive with strong sense of public relations; willing to work long hours, many weekends for low pay; no guarantee of job security; thick-skinned for barbed criticism from congressmen; must handle large budget and get results despite bureaucratic setting. Apply Lyndon B. Johnson, 1600 Pennsylvania Avenue, N.W., Washington, D. C. 20501.



FRED WARD—BLACK STAR

Civil Service Chairman John W. Macy, Jr., left, heads up LBJ search for top executives like those shown at awards ceremony below.



The advertisement is fictitious, but the demand is real. It's what President Johnson's executive recruiter is telling many American businessmen these days as he presses the search to fill top jobs in the Johnson Administration.

The President's talent scout is crew-cut, amiable John W. Macy, Jr., who doubles as chairman of the Civil Service Commission and who is largely an embodiment of the traits wanted. An editor of *NATION'S BUSINESS* interviewed Mr. Macy on a recent Saturday morning in the chairman's spacious fifth-floor office at Civil Service headquarters in Washington.

In the interview beginning below Mr. Macy tells what President Johnson wants in a federal administrator and how he finds men to fit—working, of course, within the realities of politics.

Prior to his appointment as Civil

Service Commission chairman in 1961, Mr. Macy was a personnel and organization specialist with Civil Service, the Atomic Energy Commission and the Army Air Force. He was a Phi Beta Kappa at Wesleyan University in Connecticut.

Mr. Macy, what has President Johnson told you to look for in the executives you try to recruit for federal appointments?

He starts off with intelligence. He is convinced that we must have people with demonstrated intellectual capacity. He is very much interested in whether a person who is being considered is a Phi Beta Kappa or graduated summa cum laude, or where he was in his law school class, or how long it took him to get his Ph.D., or whether he was a Rhodes Scholar or a Wilson Scholar or a Marshall Scholar.

In addition, we are looking for people who are relatively young, on the rise, who see a future ahead of them. The 35 to 50 bracket for the most part.

That is the numerically squeezed bracket, isn't it?

That's right. The population in that age bracket is not rising as rapidly as in some of the others. And, of course, that is where industry and education and all groups are looking also. We are not always able to adhere to that.

We are looking for individuals who have a favorable, established reputation in the particular field concerned. In other words, if we are looking for a man in the fish and wildlife area, we want someone who has a reputation in conservation—either academically or in some form of public life. Or if we are

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When in Washington: Hang



Former Cabinet member offers some slightly irreverent views in his orientation for innocents



"The top man must stoically take the heat for mistakes of judgment committed by his staff."

THERE is an apocryphal anecdote current in Washington which has about it the ring of reality. In the story, Sargent Shriver is coaching new Peace Corps recruits:

"You will have rocks thrown at you. You will be cursed, insulted, spat upon. Your motives will be questioned. You will be called names. But then, when you leave Washington . . ."

Truly, it takes endurance to be an official in the government; a certain imperviousness to insult, a lot of stamina and persistence. The government—that massive bureaucratic entity whose General Services Administration is where its heart ought to be—grants tacit recognition to this state of affairs by displaying a singular lack of confidence in its ability to hold onto its officials.

For example, Cabinet officers cannot obtain calling cards with name and title at government expense. But if the officer is willing to skip the name and settle for title alone (presumably so that his cards can be passed on to the next guy), the government happily picks up the tab.

This is certainly a realistic approach. In Truman's eight years as President he had 34 Cabinet members. At least three individuals held each post.

One can readily see that life in Washington is full of pitfalls for the unwary and the uninitiated. I have long felt that there should be a sort of Orientation Course for Innocents, a seminar for newcomers to high office—schooling them in what to avoid in official life—to make their stay more pleasant and their tenure more certain.

Subjects covered would include such potential perils as use of limousines and official letterheads, policy on gifts, and problems of expense accounts. Such a school is particularly needed because rules are constantly being changed by whichever paragon is at the moment the acknowledged interpreter of ethical principles.

Can a Cabinet member accept an honorarium for making a speech? Good students will know that his-

J. Edward Day, the author, was Postmaster General of the U. S. during the Kennedy Administration and the foremost wit and storyteller in the Cabinet. He is a former insurance executive and is now in private law practice in Washington. This article is adapted from a chapter in Mr. Day's book, "My Appointed Round: 929 Days as Postmaster General," copyright © 1965 by J. Edward Day, to be published this month by Holt, Rinehart and Winston, Inc., New York, N. Y.

up while you're talking



torically there have been three correct answers to this question: yes, no, and maybe. In the Eisenhower Administration the answer was yes. In the Kennedy Administration, it was no, though I don't recall President Kennedy ever talking to the Cabinet about conflict of interest rules. I doubt if the problem was very real or meaningful to him. He gave 100 per cent of his presidential salary to charity. How could he be expected to concern himself with whether a federal official could or could not accept a \$300 honorarium for making a commencement address?

How about our distinguished solons? Do the same rules apply to them? The first thing a federal appointee must realize is that such rules are not made for Congressmen, who play a role similar to that of the loving but authoritarian father who says, "Do as I say, not as I do."

A Senator can and does charge as much as \$1,500 for a speech and \$2,500 for a magazine article, but all an official of the executive branch can safely accept is a plaque, which probably makes him overweight on his baggage. Should he accept anything more, some Congressman will be sure to rant and rave about it, perhaps even writing about it and other ethical matters, if the pay is good enough.

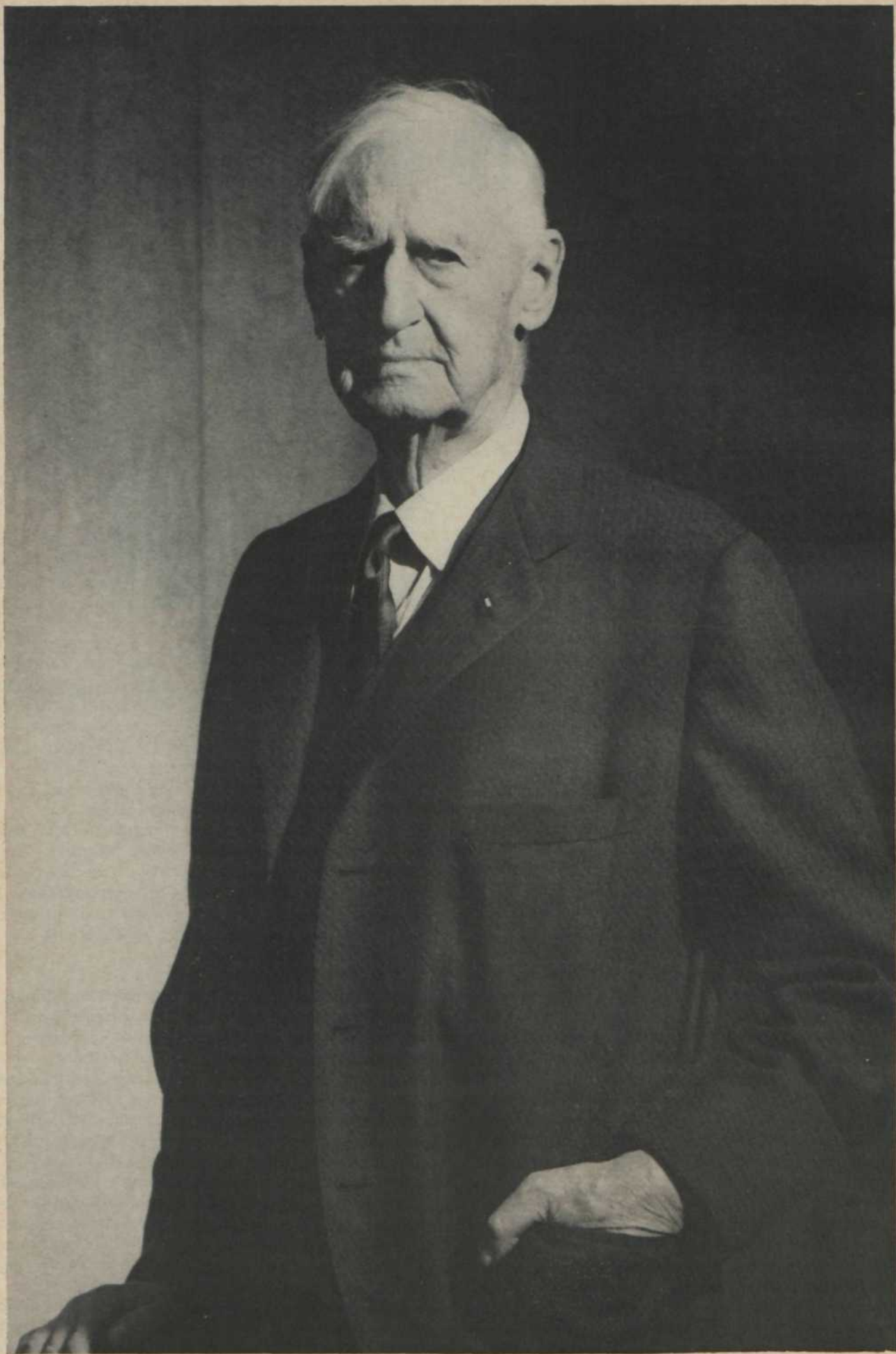
Like Caesar's wife, the man appointed to high federal position is expected to be above reproach. "Remember Sherman Adams!" might well be the motto of every official, when it comes to accepting gifts. I have always thought Eisenhower's assistant was castigated far out of proportion to his indiscretions.

Neither mink nor vicuña

Some of the actions held against officials of the executive branch in major press and congressional attacks occasionally could result from ignorance or naïveté. This is at least a charitable possibility, however seldom acknowledged. Unless one has followed the pattern of character assassination in Washington, one might not realize that using an official letterhead for a communication on a personal business matter could be parlayed into a horrendous misdeed. And, of course, well meaning and honorable people quite commonly try to press gifts on public officials or to pick up their bills for hotel and restaurant charges. The likelihood of backlash from such an event is remote. But every so often a Goldfine turns up, followed by a Sherman Adams turned out of office.

Obviously a public official can't accept a deep freeze, or a mink (or vicuña) coat. But what about a box of cigars?

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FRED SCHNELL—BLACK STAR

LESSONS OF LEADERSHIP

What will our next move be? Is he the right man for the job? What's the competition up to? Typical and demanding questions of life in the executive suite. Questions the computers or consultants can't always answer. They take the special wisdom acquired through long years in charge of getting answers and getting results. This is a priceless asset business veterans possess. In this issue, *Nation's Business* brings you the second part of a new series: *Lessons in Leadership*. The series will present the accumulated wisdom of respected statesmen of American business told in interviews with *Nation's Business* editors.

PART II: PROFITING FROM FORESIGHT

A conversation with Gen. Robert E. Wood of Sears, Roebuck

NO ONE has ever accused Gen. Robert E. Wood of pussyfooting.

As top man at Sears, Roebuck & Co. for 26 years, Gen. Wood dominated the company.

Even before he became president, the General by almost sheer force of personality, backed up with some facts, convinced the man who then ran Sears, Julius Rosenwald, to put the prospering mail order house in the retail stores business. Then, in the depths of the depression, with his board of directors against him, he ramrodded Sears into the automobile insurance business.

These two innovations are today key growth elements in the expansion of Sears, the nation's biggest retailer.

How did he do it?

By taking a clear look at the future and planning for coming trends—especially the automobile's impact on the nation's population and economic expansion, the General says.

Today, Brig. Gen. Robert Elkington Wood is theoretically retired at 86. But he is still a very active Sears director, keeps occasional office hours and lives an energetic life.

General Wood won his star during World

War I as acting quartermaster general of the Army. Earlier, he was graduated from the U. S. Military Academy and rose to head all supply operations for construction of the Panama Canal under Gen. (then Colonel) G. W. Goethals. After the war, General Wood went to Montgomery Ward & Co. as a vice president. He and Ward's parted in 1924 over the issue of retail store expansion, which the General advocated.

Here General Wood discusses with a *NATION'S BUSINESS* editor some of the insights he has gained from his years of leadership at Sears.

General Wood, what has been the greatest change in business since you started with Sears 40-odd years ago?

I think the caliber of corporation executives has changed for the better tremendously. If you read the industrial history of the United States, some of the corporation executives in the early Nineteenth Century looked principally to themselves.

I believe there's been a great deal of social consciousness developed in the last 50 years. I think corporation (continued on page 69)

A LOOK AHEAD

A computer in every home?

(Marketing)

Frisky lenders look abroad

(Credit & Finance)

How overtime plan bogs down

(Labor)



AGRICULTURE

Farm researchers do battle with petroleum chemists over supplies for the huge detergent market.

Petroleum men are ahead. Their products go into most of today's household detergents—including the new ones designed to quit sudsing when washed down the drain.

But government scientists claim animal fats can make better detergents that won't put foam in rivers. That would provide a big new market for packing-house by-products. Problem is cost. Farmers' friends haven't yet reduced it to competitive levels.

U. S. Department of Agriculture scientists also claim progress in concocting an edible coating for frozen meats. Market for frozen steaks suffers now because meat looks unappetizing. Starch made from new variety of corn might do the trick, say scientists.

CONSTRUCTION

Mushrooming state governments promise a lift for builders—and a whack for taxpayers. Hoards of new office workers, mountains of paperwork are bursting capitol domes.

Hawaii, for one, begins construction of a new \$14.5 million capitol. Surrounded by a reflecting pool, it will symbolize the island state. New

Mexico figures to finish its round, flat-top capitol in 1966.

Planners visualize a \$300 million complex for New York state bureaus in Albany: a 43-story tower, an egg-shaped meeting center, TV facilities and an open-air concert area, among other features. Michigan begins a three-step program for much-needed office space with construction of an underground parking garage for more than \$4.7 million.

Architects blueprint designs for new Delaware state offices. Arkansas is remodeling its legislative chambers. And earthquake damage forces Washington to shore up its dome. Kansas, New Jersey are among others with construction programs.

"The trend," says Council of State Governments, "is toward centralizing facilities in capital complexes developed from long-range plans and projections of state needs."

CREDIT & FINANCE

Consumer finance companies look to new worlds to conquer—literally.

The rush is on to Australia by these direct lending, installment buying financiers. Two big U. S. firms—Beneficial and Seaboard Finance—set up offices down under early this year. More are planned. They seek to fill a vacuum left by failure of Australian banks to move into small loan field.

American companies study Japan closely, too. Its booming economy may provide fertile field. "If the Japanese want to go into consumer financing, they'll have to come to this country because we have the experts," says Allen Weidman, president of Seaboard.

Here at home, competition reshapes the industry. Commercial banks push small lending energetically though their share of lending holds about steady. Consumer finance companies look about for new business. Some buy retail store chains on theory that installment buyers of such goods as appliances will turn to loan companies for other financing.

FOREIGN TRADE

Memo to foreign traders from Uncle Sam's Small Business Administration: Please stay home from these meetings.

SBA launches a set of businessmen's confabs on how to sell abroad. Next is in Los Angeles July 15; other cities are penciled in for later.

But experienced—and even semi-pro—traders are invited out.

How come? SBA planner Sam Klein says those already in overseas business tend to monopolize the questioning. Agency wants to entice neophytes into selling abroad; figures they are less shy, ask more questions

when everyone is as green as the next guy.

It's all part of the government's attempt to balance our international payments by raising exports even higher. Pan American Airways jointly sponsors meetings.

LABOR

Statistics show artificial barriers to overtime work won't make major dent in unemployed ranks.

That'll be behind Administration's down-playing of double-time-for-overtime schemes this summer. LBJ asks that Congress order double pay for hours over 48 worked in a week; he'd also reduce this ceiling an hour a year to 45.

Any job gains would probably come in industries with heavy numbers of men working five to eight overtime hours a week, experts say.

But Labor Department sample in a recent week shows less than one third of overtime hours worked were in over-48 category. And most of those are in auto industry.

Nor would discouragement of moonlighting create many new jobs, says University of Michigan professor Ross J. Wilhelm. He notes figures show many workers have two jobs because they possess skills relatively scarce among jobless.

MARKETING

That push-button phone utilities are pushing is more than a fancy new gadget. Computer men see it as opening the way to sale of many of their new services to businessmen, consumers in the not-too-distant future.

Reason: It's faster than dial phone, turns each set into a potential computer keyboard. Thus you could punch out instructions to central computers from desk or arm chair for banking, other services.

Companies already edge into selling systems hooking small office with central data processing equipment. American Telephone & Telegraph

offers various data hookups. IBM seers expect doctors will soon use central computers to handle their billings.

Future systems may tell doctors which of huge modern drug array is usable for certain ills.

Marketers study costs closely. Bank of America tests group of new client services for introduction later this year. "Until we can make them economical to our customers, we won't sell them," says a spokesman.

NATURAL RESOURCES

Game—wild animals, birds, fish—is one natural resource that's not only in for greater exploitation but is growing more plentiful. This promises new business for sporting goods suppliers.

More deer and antelope play in U. S. today than in 1776. Quail, mourning doves, other birds are plentiful, too.

Warm-water fish do swimmingly—perch, bluegill, bass, crappies to name a few.

Surpluses worry game managers in some areas. Pennsylvania, New York, Rockies, California report excess deer. The animals have become a highway nuisance in parts of Michigan. Federal researchers experiment with highly selective poisons that will kill some birds that raid crops but not other species, reproduction inhibitors which sterilize animals such as coyotes for one year only. They declare war on fecund carp in some regions.

All this means happy hunting and fishing in many areas for the more than 30 million outdoorsmen. They will spend well over \$5 billion on equipment, other expenses this year, it's estimated.

TAXATION

Washington acts to get more of your—and your employees'—tax money faster. Congress may pass a new graduated withholding system for income tax this summer.

Employers now withhold at a 14 per cent rate from everybody no matter how big the salary. Now tax planners want to reduce the withholding rate for low-income employees so they'll have more to spend each week and to raise withholding for others.

That's how Uncle Sam will reap more funds faster. The graduated scheme theoretically means fewer taxpayers will underwithhold. By reducing both under and overwithholding, government calculates there will be less shifting of funds between government and the economy around April 15.

But some skeptics wonder if graduated system would really change things much. Many firms already let employees juggle withholding rates so they won't owe much each spring.

TRANSPORTATION

Manufacturers, other automotive groups gird for new campaigns aimed at greater highway safety.

Safety is a favorite talking point of politicians. Governors of 30 states asked legislatures to give highway safety laws top priority this year. In Congress, Sen. Gaylord Nelson (D., Wis.) maneuvers for federal controls on tires. Number of states debate imposing their own tire standards.

One trend is clear: Drivers' license rules are being stiffened. The strongest pressure is for raising minimum ages for drivers.

Indiana now lists all licenses issued to drivers under 21 as probationary. Fourteen states study some form of re-examination for previously licensed drivers.

The concern about drivers' standards is understandable: There will be 139 million licensed drivers in 1980, forecasts U. S. Bureau of Public Roads.

Trucking industry points out a series of short courses sponsored by National Committee for Motor Fleet Supervisor Training upgrades drivers, mechanics, supervisors.

The unions' top command admit they now plan a dramatic shift in strategy

dictate they have veto power. They may not be able to get all the legislation they want through Congress, but they certainly have the votes or the influence to block legislation they don't want.

"Organized labor has taken over the federal government. I think there will be a counteraction when what is happening finally dawns on the citizenry."

Unions are breaking away from the traditional use of economic weapons in the opinion also of Philip D. Bradley, consulting economist and former member of the Harvard University faculty.

"Union power will increase in the next decade," he told *NATION'S BUSINESS*, "but it will be in government operations, not at the bargaining table. This increased power will, by and large, be adverse to the national welfare."

T. C. Kammholz, a former general counsel of NLRB, accuses unions of "practicing political activity at all levels of government to protect and enlarge on their bargaining gains."

"Labor's power base stems from the unions' accumulated wealth and enormous political influence," the Chicago attorney contends. "As such, this power is secure and not dependent on increased union membership."

"In view of its acknowledged success, labor's activity in government will undoubtedly continue and reach even further. Unless a counterbalancing force is developed, the union influence in our government may become totally disproportionate to the number of members that unions actually represent."

"There's strong reason to believe that this may already be the situation today."

Meany, Reuther and politics

The uppermost command of the unions links organized labor's future to legislative fortunes.

"Much of the progress we make in the next decade will depend on our ability to get the legislation we want," AFL-CIO President George Meany told *NATION'S BUSINESS*.

Says Walter Reuther, president of the United Automobile Workers and the AFL-CIO Industrial Union

Department of some 60 unions and six million members:

"We'll become even more deeply involved in the political and legislative process as we de-emphasize our role as a purely economic force and become a social force dealing with the problems of the whole of society, such as education, housing and civil rights."

Union lobbyists will continue to push the same kinds of legislation they have sought in recent years.

Topping the list is repeal of Section 14(b) of the Taft-Hartley law which sanctions the right-to-work law banning compulsory union membership in 19 states.

Union spokesmen feel repeal is the only legislation they are demanding that will primarily benefit unions and that they are entitled to that much for the major part labor's political machine played in the big Democratic election victory last fall.

They argue that other union-backed legislation will benefit all of the people. The list includes a \$2 minimum hourly wage with wider coverage, higher unemployment insurance, voting right protections, consumer legislation, aid to education, public housing, medical care for the aged, job retraining, shorter workweek, double time for overtime and increased public works spending.

The fact that many of these legislative objectives coincide with goals of the Johnson Administration, and that a joint effort is being made to push the program through this and future Congresses, is a further indication of how close we are to a labor government.

"This is a very significant political development," Secretary of Labor W. Willard Wirtz told *NATION'S BUSINESS*, referring to union support of the breadth of nonlabor legislation.

Major responsibility for enactment of the unions' program over the next decade rests with Chief Lobbyist Biemiller and Alexander E. Barkan, director of the AFL-CIO's political machinery, whose job it is to help union supporters get elected to local, state and federal offices.

Mr. Biemiller is planning to im-

prove the AFL-CIO's already highly skilled and experienced lobbying operation and expand his staff of six to handle the steadily growing legislative activity.

A legislative council of about 100 lobbyists for individual unions and the Biemiller crew meet on the second Monday of each month when Congress is in session to discuss strategy and tactics on pending legislation.

Machines by the thousands

If the unions' future hinges on getting favorable legislation, and the legislation depends on having enough backers in Congress and state legislatures, then the real key to the future must be union success at the polls, where legislators are elected—and defeated.

Most large unions, whether affiliated with the AFL-CIO or not, have their own political action structures.

The main thrust and coordination, however, is provided by the Committee on Political Education, commonly called COPE.

"We're going to become even more deeply involved, and more effective, in elections as more union leaders recognize that their members don't live by bread alone," COPE Director Barkan predicts.

"Unions will put political activity on an equal basis with collective bargaining," the former New Jersey schoolteacher adds, "when they realize that there is a limit to what they can gain from employers through bargaining."

Few doubt that the unions can be effective at the polls with their vast resources of manpower and money. In 10 years since COPE emerged from the fusion of the old CIO Political Action Committee and AFL Labor's League for Political Education, union supporters in Congress have increased from 40 to 63 in the Senate and from 190 to 298 in the House—from minorities to majorities.

In the next decade, COPE plans to increase its participation and effectiveness in the thousands of local elections, because local victories build strength for congressional, state and national elections, and also in off-year national elections to minimize setbacks the national administration usually suffers between presidential elections.

It has already embarked on a program of improving the organization and techniques of local COPE units. As a first step these organizations are being urged to use modern data processing equipment to

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LABOR'S DECADE

continued

facilitate the handling of large voter registration, union membership and other lists used in effective political work.

Suitable data processing equipment and its use is described in a new booklet, titled "Machine Politics," which has drawn the attention of other political groups.

Sylvester Petro, New York University Law School professor and a labor relations expert, believes that the self-preservation instinct is forcing unions to intensify their political activity.

"It becomes more and more obvious that the average American worker is not greatly interested in unionism," he told NATION'S BUSINESS. "The free enterprise

system is so productive, rewards workers so generously, the unions must have special privileges of compulsion to organize employees on any large scale—special privileges they can get only from government."

End of the hourly wage?

Bread-and-butter bargaining over the size of the paycheck will become relatively less important in the years ahead.

The growing emphasis on job security, pensions, more paid time without work, health and insurance benefits, and working conditions will accelerate.

Some observers believe hourly wages will become obsolete for most workers as weekly and annual pay guarantees bring labor closer to the union's long-sought guaranteed annual wage and encourage union

leaders to speak more hopefully of weekly salaries for blue-collar workers.

Adding to this trend is the fact that the salaried force of white-collar workers is growing much more rapidly than the hourly paid factory group.

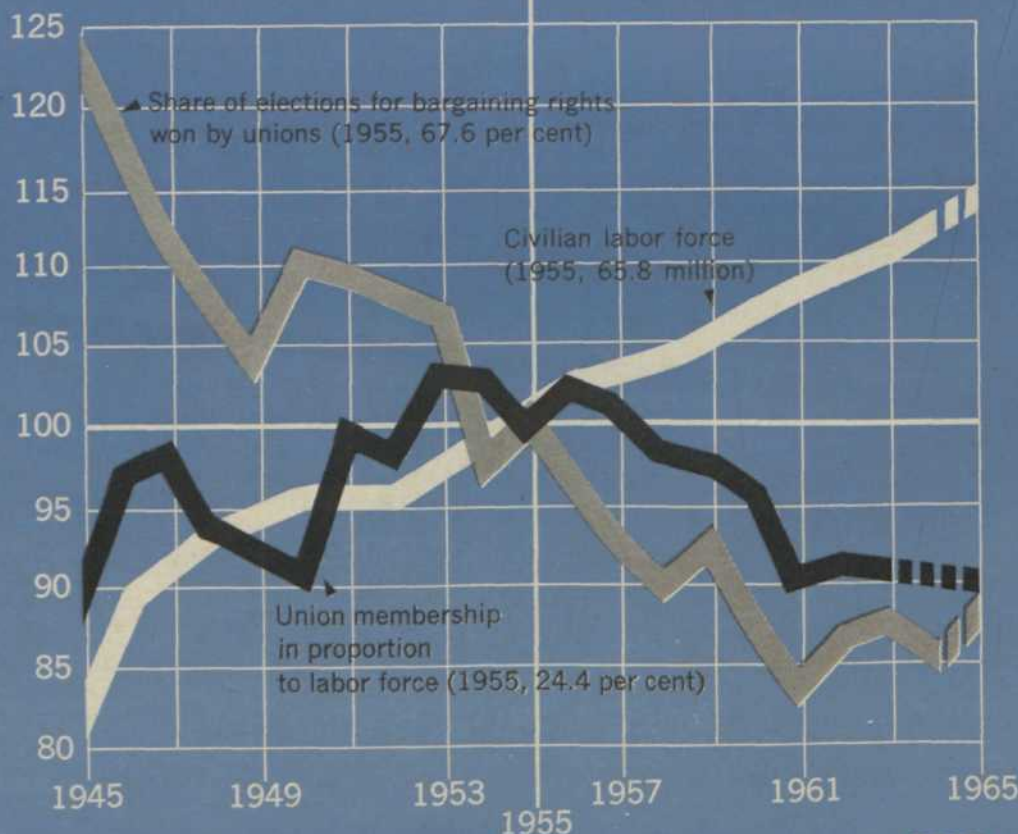
Unemployment will continue to cast its shadow over the bargaining table during the next decade, particularly among semiskilled workers.

Some experts feel that unions have not approached the unemployment problem wisely with such work-sharing proposals as 13-week vacations and a shorter workweek, and that it's up to management to come up with more constructive ideas.

They see more employers relying on attrition rather than forced layoffs to eliminate jobs as automation

Labor trends: Before and after AFL-CIO merger

(Merger year, 1955, equals 100 per cent)

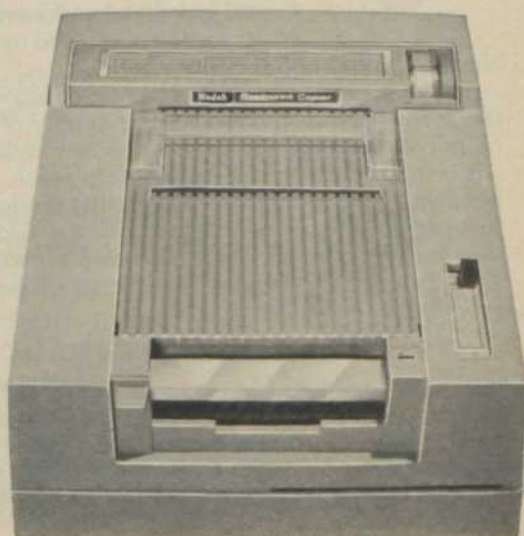


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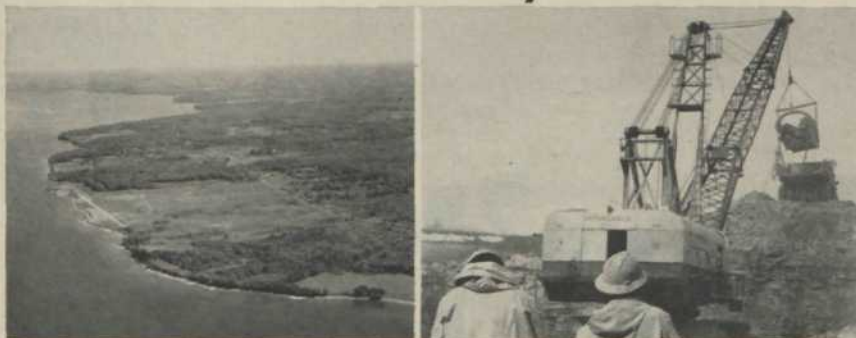
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LABOR'S DECADE

continued

lowers manpower requirements. This may result in some accepted, but temporary, featherbedding to keep unneeded workers employed until attrition brings the size of the work force and the reduced labor needs into balance.

If Congress repeals Taft-Hartley's Section 14(b), union demands on employers for compulsory union membership will dominate bargaining over the next decade in the 19 states whose laws forbidding forced unionism would be nullified.

The effect of such a development would also likely put more pressure on employers in the other 31 states who have thus far successfully resisted such demands.

The economic climate ahead will be conducive to continued rising labor costs, in the opinion of Commissioner Ewan Clague of the Bureau of Labor Statistics. He says:

"Over the past decade the wage rise has averaged between three and five per cent a year. It would take a major business depression to halt this upward trend, and none is in sight."

At the same time, Mr. Clague sees no reason to anticipate any marked speeding up of wage increases while the Consumer Price Index continues its upward drift of 1.3 per cent a year, which it has averaged since the Korean War.

More pay for less work

The AFL-CIO's chief economist, Nat Goldfinger, predicts that in the next 10 years unions will push average factory pay up 50 per cent, from about \$2.50 to \$3.75 an hour.

He told NATION'S BUSINESS he expects wages to rise faster than the cost of living, so that most of the wage gains will be in real wages.

He looks for the workweek to drop to 35 hours as unions continue to press for shorter hours in labor agreements. A big push in that direction will come if Congress grants President Johnson's request for double time pay for work beyond 45 hours a week in three years or union demands for penalty overtime pay after 35 hours.

Since World War II there has been a revolution creating additional leisure for workers with no loss in pay, according to Peter Henle, deputy associate commissioner of BLS and a former union official.

Workers have been acquiring more time off through longer vacations and more holidays, and for per-



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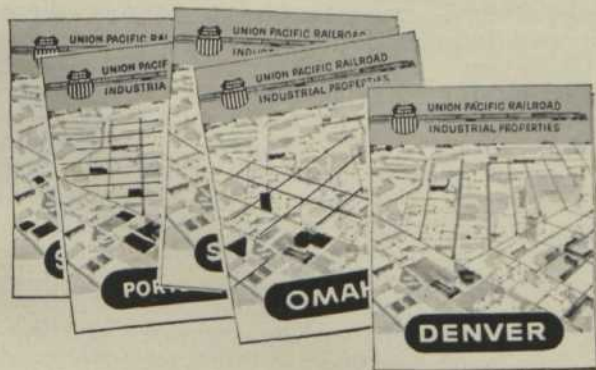
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LABOR'S DECADE

continued

sonal reasons. From 1940 to 1960, time worked by full-time workers dropped an average of 155 hours a year, or three hours a week, Mr. Henle's studies reveal. The increased leisure was divided equally between reductions in the work-week and additional vacations, holidays and other days off.

Since that period included World War II, when weekly working hours were increased, Mr. Henle thinks the 1960-1980 period may see an even greater reduction in working time.

He notes that there is a growing tendency for some unions to demand increased leisure time in the form of longer vacations and holidays rather than in shorter work-weeks.

"Employers and unions seem to find it easier to agree upon longer vacations and more holidays than a 15-minute reduction in the work-week," he says.

The present trend suggests to Mr. Henle that the average work-week may drop one or two hours by 1980, with another two or three weeks a year in paid time off resulting from increased vacations and holidays.

In future demands unions plan to put more stress on wage and job guarantees and shares in cost savings as improved technology lowers unit labor requirements.

Considerable attention is being given by other unions to the guarantee of 1,600 hours of work a year, or about 32 hours a week, obtained by the International Longshoremen's Association in return for cost-saving concessions in their recent agreement with East and Gulf Coast shippers.

Mr. Reuther says his UAW will put more emphasis "on how to achieve a greater measure of dignity on the job as improved technology makes it possible for workers to share in greater affluence." Last year he ran into some rebellion among his automobile workers who wanted a greater voice in local working conditions.

He contends that, as a worker's earnings rise, a pay increase becomes less important and how he works is more important.

"The difference between, say, \$8,000 and \$9,000 a year won't mean as much to the worker as the dignity he enjoys on his job," the union chief told **NATION'S BUSINESS**.

"The young worker who wants more pay now is in the minority," he says.

In the construction industry, unrealistic union wage demands without an appreciable increase in individual productivity are pricing workers out of jobs, says Ira A. Hardin of Atlanta, new president of the Associated General Contractors.

"Until organized labor takes a more reasonable and realistic attitude toward the economic effect of constant, repetitive and unjustified wage increase demands," he says, "job opportunities will shrink, automation will rise, and relations between labor and management will continue strained."

An automobile industry executive warns about union efforts to take more and more aspects of the employer-worker relationship out of competition, such as pay, the size of work crews, the pace of work and hours worked.

"About 70 to 80 per cent of costs are labor costs," he says, "and if unions take enough of them out of competition they'll destroy the competitive system that has made our economy so successful."

Labor relations experts believe that there will be increasing unrest among workers in their relations with union bosses as the worker education level rises, as unions grow larger and more remote from their members, as labor contracts become more complicated, and as jobs become less secure.

Many union members find the complexities of pension plans and other fringe benefits difficult to comprehend. Some also resent the specialists and technicians who are required to negotiate new agreements.

These developments underlie much of the local unrest that has arisen in large industries where working conditions and other contract terms are discussed and decided at the national level.

Surprisingly, a top mediator usually considered friendly to organized labor confidentially recommends a firm bargaining attitude of the kind practiced by General Electric and condemned by the National Labor Relations Board. Although a company may make a firm and unilateral offer, he says, it can avoid difficulty if the offer meets the workers' real needs and is not made up of things they don't really want or understand.

Dr. Robert K. Burns, head of the University of Chicago's Industrial Relations Center and an expert in

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LABOR'S DECADE

continued

adult education, sees "a great movement rising for continuing education, or life-long learning," that will bring more mutual understanding and minimize industrial conflict in the next decade.

Fewer but larger unions

The unions' power will continue to grow if they consolidate into fewer and larger unions, with more centralized control, and get government even more on their side.

The biggest threat in the coming decade may be James R. Hoffa's plans for a power combine of unions in all transportation industries which would enable them to force the country to its knees by bringing transportation facilities to a complete standstill.

"The transportation council I want will come into being—some-time," the Teamsters Union president insisted in an interview with a NATION'S BUSINESS editor in his modern Washington headquarters close to the Capitol. He believes mergers under way or being considered among railroad and maritime unions will facilitate creation of the power structure.

"It will also come more rapidly if we get back into the AFL-CIO," he said. "Meany is the stumbling block right now."

The Teamsters were expelled from the AFL-CIO two years after the merger on grounds of being under corrupt influences. Mr. Meany has said they will not be readmitted while he heads the federation and Mr. Hoffa heads the Teamsters.

The Teamster boss is contesting in the higher courts two criminal convictions and prison sentences which, if he has to serve them, will be a sizable obstacle to creation of the union power structure.

Another is proposed legislation by Sen. John L. McClellan of Arkansas to bring transportation unions under the antitrust laws with respect to restraint of transportation in interstate commerce.

Large unions bargaining at the top with whole industries or multi-plant companies have revealed an inability to guarantee compliance with the terms at the local level.

The automobile industry suffered local strikes for weeks after the United Automobile Workers' leadership agreed to new contract terms with each company in Detroit.

East Coast shipping suffered

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LABOR'S DECADE

continued

strikes for a month after agreements in some ports were reached, because dock workers refused to work until disputes were settled at all ports.

New legislation is needed to bridle "raw union power," declares William B. Rand, president of the New York Shipping Association.

Fewer crippling strikes

Strikes follow no fixed pattern but have tended to diminish in number in recent years. Experts expect this trend to continue largely because of a more educated work force, improved bargaining techniques, automation and the growing realization that strikes can't solve many of the new bargaining issues.

Government intervention in major labor disputes undoubtedly will continue at a high level as industry-wide labor-management decisions affect the economy.

Mr. Hoffa, among others, believes that the government should keep its nose out of labor disputes.

"An employer and union are better equipped to make their own settlement," he says. "Such a settlement is better for them—even if a strike becomes necessary—than having the government coming in with only one interest, to get a settlement at any cost."

Mr. Reilly deprecates the growing tendency of the government to view a big strike as intolerable, and reflects the view of many employers.

"When the union knows that the government won't tolerate a strike," the former government labor official points out, "it is able to get it to intervene, and thus get more from the employer than it might have otherwise."

Perhaps more important to the average businessman is the intervention in his business by the National Labor Relations Board.

The Board is telling more employers how they must bargain with unions and over what aspects of the business.

Important for future bargaining by all employers is the court test General Electric is making of a Board decision holding that the company's communications program and firm bargaining attitude are unfair to the union.

A former Board chairman, Guy Farmer, says, "The government will intervene more through the Board and other agencies to enlarge the

scope of collective bargaining, particularly where management decisions are involved."

Labor's two big problems

Two major challenges confront the labor movement in the coming decade. One is to break through the ceiling of union membership, which has remained static at around 17 million for the past 10 years. In relation to the size of the rapidly expanding labor force, it actually has shrunk.

The other is to develop new leaders to meet the challenges of the future as many current union chiefs near retirement.

The outlook for big gains in union membership, even with government help, is not good from the union point of view.

Union organizers have been able to keep total membership at a fairly stable level largely because of gains among government workers who have been encouraged to join unions as a result of liberal federal regulations issued by President Kennedy in 1962.

If unions are to make substantial gains in membership it must be among the expanding force of white-collar workers, who are least interested in unions.

George Meany is not hopeful.

"I don't look for great successes in organizing the white-collar field with its college graduates and highly skilled professionals," he told NATION'S BUSINESS.

"But that doesn't matter. Like Samuel Gompers, I never held to the theory that we have to organize all workers in order to effectively carry out labor's objectives."

Walter Reuther doesn't agree with Mr. Meany.

"We're going to increase our membership significantly in the next decade," he predicts, "because the white-collar, professional and technical groups are becoming increasingly aware of a need for an organization to deal with their common problems. The progress we've made with teachers is an example."

AFL-CIO Vice President Joseph A. Beirne, who heads a white-collar union, the Communications Workers, says unions must become a more vital force in community life and they must change public attitudes toward unions.

Time for change at the top

Union leadership is changing rapidly.

Younger hands are at the helm in a half dozen or so unions, including the Steelworkers, Machin-

ists, United Electrical Workers; State, County and Municipal Employees and Teachers unions. Except for the Machinists, the changes were dictated by members who apparently felt it was time for a change.

The next decade will see even more changes as aging union leaders who built the present power structure reach retirement. It is natural for a new leader in an organization to be younger, more aggressive and full of new ideas. New union leadership will be no exception.

With the unions becoming more centralized, one change that will have great national importance will be the replacement of George Meany as AFL-CIO president.

The new man will be the leader and spokesman for organized labor at least in name. Whether he is in fact will depend on his ability to command respect.

The world's largest union, the 1,800,000-member Teamsters, is waiting in the wings to rejoin the AFL-CIO, as is the United Mine Workers, whom John L. Lewis pulled out of the AFL in 1947 because he objected to complying with the then new Taft-Hartley law.

One man concerned about organized labor's future growth is the one most responsible for the last surge in union membership. He is the 85-year-old Mr. Lewis, who organized the CIO and split the labor movement and unionized the steel, automobile, aluminum, rubber and other mass production industries in the mid-1930's.

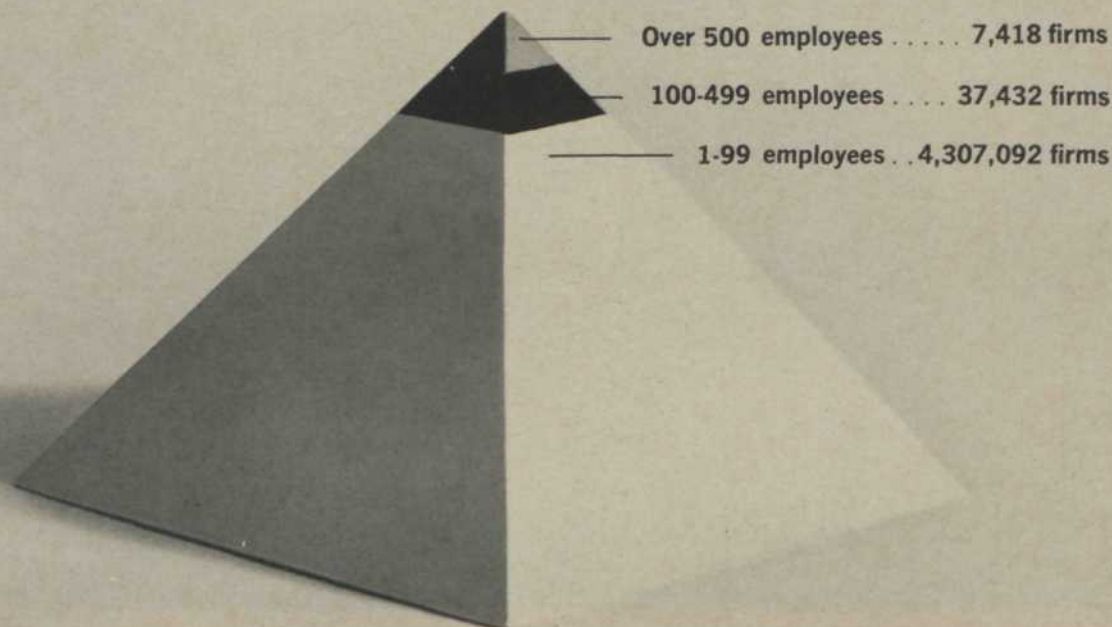
Great organizing drives come from great leadership, he believes, and the trouble today is that the same leaders are growing old and trying to reorganize their own handiwork every 10 years.

New leaders are needed who will not make excuses to justify the status quo, he feels, leaders who will change union policies as necessary to lift the labor movement out of the doldrums.

Mr. Lewis, who still has a voice in the Mine Workers as president emeritus, doesn't see such a new union leader on the horizon.

Whoever commands the labor movement in the decade ahead, whether one or many, will surely be a new breed: a politically savvy professional who will undoubtedly feel more at home in the corridors of Congress than at the work bench and who will be striving constantly and cleverly to make union goals appear to be public goals. **END**

DEPTH



SOURCE: U. S. DEPARTMENT OF COMMERCE

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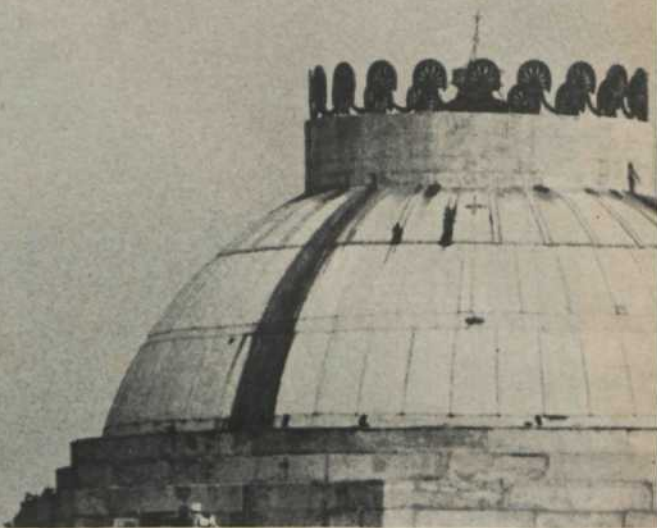
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MAUNEY-BLACK STAR

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A lawyer, former FBI agent and wartime paratrooper, Governor Sanford's vigorous approach to government has firmly established his qualifications for helping to raise the level of creative state administration. During his four years in office he increased North Carolina's public school budget by 50 per cent. He redesigned the university structure, started a system of community colleges, set up special schools for retarded, gifted and culturally deprived children, and established the first state anti-poverty agency in the country.

Investment in new and expanded industrial plants during his term totaled well over \$1 billion, creating nearly 150,000 new jobs in the state and increasing annual payrolls by more than \$350 million.

When he left office, the Charlotte Observer said that he had "stretched to its practical political limits the capacity of North Carolina government to foster improvements in the lives of people."



FRED WARD—BLACK STAR

THOUGH THE GROWTH of the federal government has become part of the national scene, something recently has begun to stir in the American conscience.

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What can be done to improve the effectiveness of state government?

My own experience as a governor has convinced me that state government can play a more potent role than it has been playing, can be of greater service to its own citizens, can reach more people and can act with much more creativity.

If the states are to assume a more forceful role in our federal system, these are some of the actions that must be taken:

Develop long-range master plans in each state.

Collect and store the experience of past governors and their states in a central agency for solving future problems.

Revise state tax structures.

Strengthen the executive branch of state government.

The romance of the New Deal convinced many that state interference in federal programs would decrease the uniformity of those programs, make cumbersome their administration and consequently reduce their effectiveness. The New Deal also provided a new pattern for government: rapidity of action, dramatic new programs and the promise of quick results. Since the emergency was nationwide, the states were by-passed. Who could blame a President or a Congress trying to help a nation in trouble?

Later, a world war expanded the national power to deal with the necessities of a modern, global war. Korea and the cold war monopolized our attention more and more with the issues of national defense, the arms race, and later the absorbing drama of the space age. Increasing urbanization and population growth and the development of the mass media caused us to think nationally and made many turn to the federal government for national solutions to nationwide problems. The people's interest in state and local problems gave way to an overriding interest in the external and internal problems facing

the country. The voice of the states was growing weaker in shaping the directions of the nation.

State government undeniably has been overwhelmed by federal legislation in the last 30 years, but it is a vital and sometimes creative force in our society. Our question is not whether states should be retained and strengthened. Our question is how can we do it.

I do not believe we should aspire to weaken the federal government. A strong central government is a necessity in this troubled world. Rather I believe we should strengthen the states.

A cursory look at the functions which state governments perform should be sufficient to convince almost anyone that they do a great deal more already than most people realize, and that much might be gained if they were strengthened to provide yet better and broader service.

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FOR YOUR STATE

continued

programs for retarded children and for gifted children. They build and repair roads and highways. They operate hospitals for the mentally ill. They control major areas of taxation at state, city, county, corporation, personal and consumer levels. They regulate banking and insurance.

This is by no means the total of state government activity. And lest it be argued that the states are providing less and less of the funds for these functions, let us examine the pattern of state government expenditures in the last few years.

In fiscal 1964, state government expenditures amounted to \$42.6 billion, more than double the \$20.4 billion expended just 10 years before. State expenditures in 1964 were 7.6 per cent higher than 1963 and 16.3 per cent above 1962. Education expenditures increased 23.2 per cent over the last two-year period, highway maintenance and construction was up 16.1 per cent and welfare was up 14 per cent. All of this money didn't come from the federal government either. The states provided \$13.4 billion for education last year. Of this, only \$1.4 billion, or just over 10 per cent, was federal money.

But spending money on these functions is not the only significant thing the states can do. On the contrary, they have supplied much of the impetus for social progress in our society. Until the most recent federal civil rights bill, the only effective legislation to promote fair hiring practices and prevent racial discrimination was state legislation. Local and state governments first declared war on poverty. States initiated the improvement of educational standards and practices.

Anyone who has been involved in the administration of state government, however, would have to admit that the states too often have been timid and moribund. State governments have not lived up to their promise as instruments of aggressive, imaginative, innovational service to the people. One of the characteristics of any system is that a vacuum does not long exist when a service needs to be performed. Because of the states' inactivity and timidity, the federal government has tried to fill the role. This, too, was inevitable.

While I would not for the moment attempt to make the case that

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FOR YOUR STATE

continued

any of the added federal participation was of itself either improper or illegal, I am certain that federally oriented programs all too frequently miss their local target. I am convinced that many of these programs would have been more effective if administered to a greater degree by the states, or at least designed with the states in mind and in such a way that greater state participation was made necessary.

For example, a state governor finds it extremely difficult to influence or improve in any meaningful way the employment, health or welfare programs. Yet he is held responsible in the eyes of the citizens. He must find the matching money for programs originating in Washington.

Fight cycle of poverty

We never did set out in North Carolina to fight poverty. We did set out to fight the causes of poverty. Why is a child in a home of poverty so likely to return ultimately as a parent in a home of poverty? How do you go about breaking this cycle of poverty?

With Ford, Reynolds and Babcock foundation money we organized in 1963 the North Carolina Fund to support local efforts to provide the needed community curative action and a new brand of education. We wanted to make these children grow into self-respecting and contributing members of society.

To achieve this objective we had to go beyond the schoolhouse, into the neighborhoods, into the homes, doing all possible to put the children of disadvantage in a position to want to learn. We had to concern ourselves with their parents.

We needed the complete cooperation and coordination of all public agencies.

Couldn't the employment service and school officials go out and recruit dropouts? Couldn't the health services direct the chronic patient into the vocational centers? Couldn't the welfare department put dependent children in a day care center and the mothers in training courses? Couldn't the employment people guide the unemployable to the available health, education and rehabilitation services?

Couldn't we make our chief concern people instead of programs? The encouraging factor is that every

public servant I talked with was anxious to say, "Yes, why not? Let's try it." But we were still battering down the inflexible federal regulations when my term of office expired.

The manpower retraining program served an excellent purpose. The trouble was the delay in getting courses approved under procedures too complicated and cumbersome. The Washington worry about too many sheet-metal workers in Connecticut adversely affected trainees in Greensboro. The fact that training Appalachian girls for service in the tourist industry had not been contemplated before simply confounded the machinery. In one program we had 287 recruits and, by the time we got federal approval, only 118 were left.

Here was a new and creative approach. The Labor Department worked hard to make it effective. The difficulty was that the massive federal regulations, designed to fit every situation in every part of the country, left too little flexibility for the state to shape the program to the needs of all the people who should have received its advantages.

Governors should help plan

Gov. Pat Brown of California recently said that "While an increasing number of government services are administered under joint state and federal auspices, the governor is brought into the policy-making discussions on these programs for which he bears ultimate administrative responsibility only infrequently, informally and haphazardly." He suggested involvement of governors, expressing the states' views, from the early planning of any federal program.

Governor Brown's suggestion is sensible. It is constructive. I believe we can find a number of other constructive changes. It serves no purpose to condemn the "encroachment of a greedy, power-hungry federal government." This kind of emotional reaction excites further frustration without eliminating the causes of frustration. Furthermore, I doubt if it will be possible to prove that very much of the increased federal activity was caused by "grasping bureaucracy."

It is perhaps true that some extension of federal activity has been caused by congressional impatience. This is a frame of mind, doubtless justified by the action of some states. It is, however, a self-defeating frame of mind. Our need is for Congress to find the means for placing greater responsibility on

the states. It is illustrative to look at the recent immediate reaction of a congressman to a governor's veto of a project under the Office of Economic Opportunity. He suggested in committee that the right of gubernatorial veto be removed from the law. Thus he would remove the effective participation and cooperation of 49 governors because of impatience with one governor.

State help is needed

The interest and participation of the governor is the only way to bring some promise of success to the federal government's attack on the causes of poverty. The very need for the present antipoverty program attests to the general ineffectiveness of massive national regulations. The fact that so many of our people have not benefited very much from our employment, health, welfare and educational programs is some indication of failure.

It seems apparent now that we didn't appreciate the usefulness of state government participation in the New Deal programs. This legislation did much good, but it missed the mark with too many people. President Franklin D. Roosevelt talked of the "one third" of a nation ill-clothed, ill-fed and ill-housed. It shouldn't be a source of too much pride in the way we administered his innovations of governmental concern to hear the speech makers saying today that "one fifth" of the nation is living in poverty.

That is progress, but not much. It is at least arguable, and perhaps demonstrable, that our child care, social security, old-age assistance, employment services, health and welfare efforts could have reached more people if the states had been called on to rise to their responsibilities and capabilities. Surely we shouldn't make the same mistake so that some 30 years from now we will be promoting a "New Great Society" by proclaiming that we must do something about the remaining fraction of the population caught up in lives of despair.

We can absorb the mistakes of one or two bad or bungling governors—we cannot absorb the results of a bad system which dismisses the potential of state participation.

We need sufficient flexibility to deal with the special local problems and conditions. We need to have states willing to experiment and innovate.

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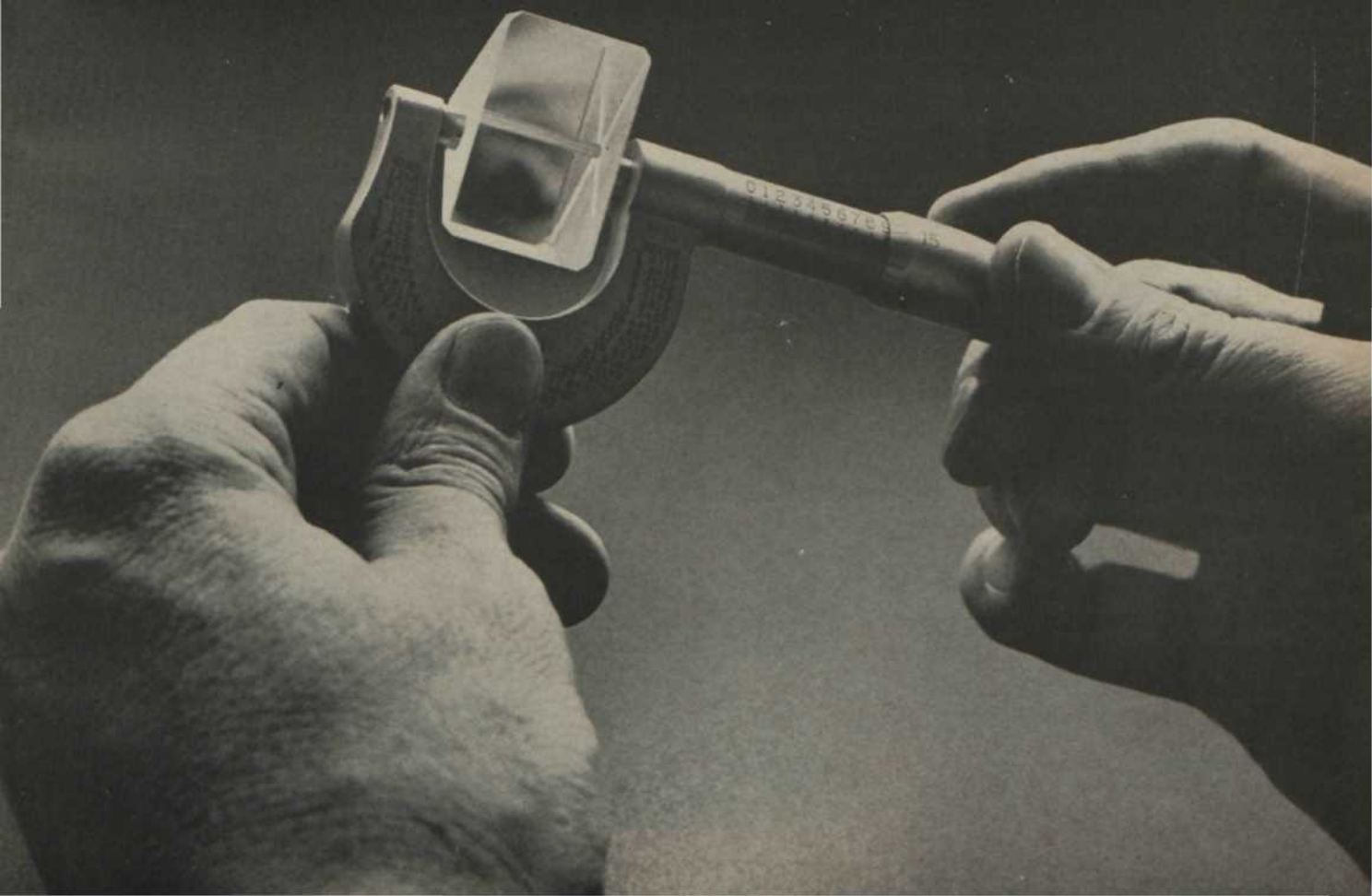
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FOR YOUR STATE

continued

eral participation and regulation is that it tends to smother local efforts. It saps their creativity and initiative until they eventually lose interest and remove themselves from the field of battle.

While most federal agencies attempt to be as cooperative as the program permits, the states must put up with too much bureaucracy and individuals have to put up with even more.

For one example, the National Park Service is bureaucratic. Maybe it should be, but this characteristic makes it difficult for a state that is anxious to assist in the creation and maintenance of national parks.

We are presently trying to give the land for a tremendous extension to our national seashore park. In time it will be accepted for the benefit of all America.

But in another place the Park Service insists on having its own way or it takes its baseball and breaks up the ball game. For years the Park Service has stubbornly refused to complete the Blue Ridge Parkway over the right-of-way the state of North Carolina has provided along the ledge of Grandfather Mountain.

The Park Service wants to go over the top. Countless committees and groups in the state, including the State Highway Commission, do not agree.

Our people believe the best way to look at a mountain is not to bulldoze a highway across the top of it. Beauty is giving way to highways too fast as it is.

It is our state, our money and our mountain. But the bureaucrats not only refuse to listen, they attribute shady motives to everybody in disagreement with them.

Often federal programs retard local initiative. For many years the vocational agricultural program served the large percentage of the population engaged in farming. It is still excellent training. However, this categorical aid to education, by sapping the matching funds of local school boards, has long thwarted the development of comprehensive vocational training in a rapidly changing industrial nation.

However, we must not allow ourselves to get caught blindly castigating the federal government for the weaknesses of state government. Elihu Root once said, "The only way to maintain the power of the

government is to govern." When we examine the record of the states we see just how many times they have failed to follow his injunction. The states have abdicated their responsibilities in area after area—often with the federal government as a courting partner in the abdication—and ceded their powers to Washington.

Too long have too many cloaked inactivity, insensitivity or injustice in the tattered blanket of "states' rights." We have used states' rights as an excuse to fight too much progressive social legislation introduced in the last 40 years. At the same time, in too many instances, we have consistently refused to take any state action to alleviate the problems and injustices.

My good friend Carl Sanders of Georgia, a creative and vigorous governor, recently told a meeting of his state's county commissioners that "We've carried as much government to Washington as any group and laid it on the doorstep there because we didn't want the responsibilities."

So when we begin to talk about the evils of centralization of power in Washington and the decline of state authority, and when we begin to lay the blame, it might be well to remember the words of another noted Georgian, Pogo, who said: "We have met the enemy, and they is us."

Now is the time for the states to put away the myths and begin to

deal with the real problems which plague America.

In the last 25 years we have seen our population explode at an alarming rate. We have witnessed the flight from the countryside to the cities, from the cities to the suburbs, from city to city and state to state. We have seen industrialization and modern technology change the whole scope of our productive capacities and shatter some comfortable notions we once held. We have seen the migratory habits of our people—one fifth move each year—scatter the social problems of each region all over the country.

And with it all we have had the crush for education, for housing, for highways, sewer systems and water, and the ever increasing need for rapid transit systems to unclog our major metropolitan areas. Our people have more leisure and demand more recreational facilities and park space at the same time our sprawling suburbs eat up millions of open acres each year.

We also have new problems which transcend state boundaries. Our cities spread across state lines, and can be expected to continue to expand in the years ahead. Industrialization and the transportation boom have polluted our air. City sewage and industrial wastes ruin many rivers and streams for recreation and, even with modern treatment plants, endanger their use for human consumption.

All these forces began to converge

Former Governor Terry Sanford is leading frequent discussions among top political scientists who are helping in his study of state government.



on the states and pinch their resources at about the same time. The states weren't ready. Their revenue sources were inadequate and their legislative and administrative machinery could not keep abreast. They fumbled for solutions, but their citizens needed and wanted action rapidly. The federal government provided action, but only partial solution. In providing this action, we saw the federal government too often begin to deal directly with the local government, bypassing the states. Mass transportation, urban redevelopment, and assistance in municipal waste disposal are examples.

Urbanization alone carried with it much more than just the problems of congested cities and inadequate housing. As the people left the countryside and moved to the cities, the per capita cost of servicing those remaining in the sparsely populated rural counties sky-rocketed.

With decreased resources and higher costs, these counties naturally had to turn to the state for a larger portion of their revenue, further depleting the resources of the state to deal with the pressing problems of the cities.

These problems are tough but not insoluble, and the states have the potential for far greater service if we can just find the solutions which will strengthen them.

Beyond that, what can the states do to make themselves more effective instruments of government?

From my experience, I can suggest a few things which I would have found useful when I assumed the governor's seat. I think additional study will demonstrate the validity of these ideas.

In North Carolina, we realized early that if we did not begin to think about the future, we were abandoning that future to haphazard growth.

On taking office, I began to search for and develop master plans in the various areas of state authority. What should we do about higher education, comprehensive community colleges, the mentally retarded, the children with artistic talent, death on the highway, and water pollution?

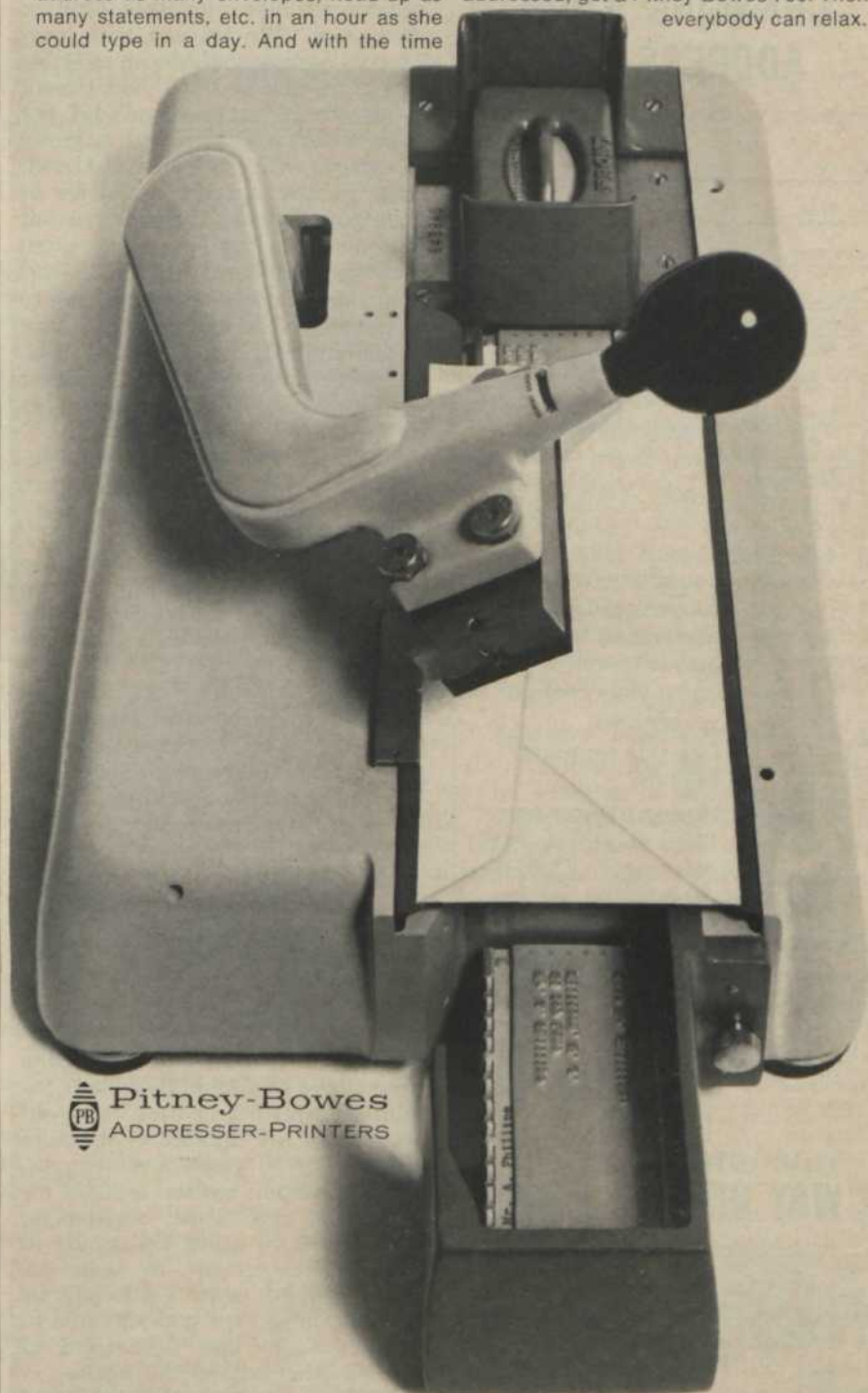
We called in the department heads of all the agencies in our state government and asked them three questions: Where were we in your department in 1900? Where are we now? Where do you hope to be in 1976?

On a monthly basis, we would discuss with the department heads a number of fields of state activity. We were realistic, but I didn't want

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FOR YOUR STATE

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them inhibited by the kind of budget concerns that colored their requests every biennium, and so we talked about their situation with optimum possibilities of achievement.

We picked 1976 because we felt that was as far ahead as we could expect them to look.

Out of these conferences grew a feeling that we should establish a permanent office for this kind of discussion. We learned that long-range planning could be an effective tool if it involved the department heads in discussions and did not seem to bypass them with a group of experts with little special knowledge in the specific activities of state government. It was important that an office for long-range planning be located within the governor's office, because planning had to seem relevant to the everyday task of government, and it needed to be fed back into the system, rather than evolve into just another report for the shelf.

My hope was that we could develop a master plan for the future in every field of the state's activity from mental health to education—that each governor who came into office could reach up and pull down the master plan to see where the state was and decide where he wanted to go.

I think each state should have an office which formulates long-range plans of action for every area of government. These plans should be updated regularly and kept at least 10 years in advance. A governor might vary these plans at his discretion, but it is the best possible bet for adding continuity and stability to our system.

Education, it seemed to me, required a special kind of planning that needed a special kind of attention. It wasn't just that the statisticians told us that North Carolina would have to double its college enrollment by 1970, or that we would need twice the number of teachers in the next 15 years just to maintain the current teacher-student ratio in the classrooms, or that we would have to build thousands of new classrooms just to keep up. We needed an institution to help us evaluate these new experiments, to guide us into new fields and to show us the way to the future.

In North Carolina, we established a new association of educators and policy-makers. We call it the

Learning Institute of North Carolina, appropriately shortened to LINC, since it was the link between all the forces of education, the link between the researchers and the practitioners, the link between the present and the improved future. This was our machinery for keeping the door open to progress and improvement in education. This was our guard against becoming stale or self-satisfied.

This was a long and arduous process and by the time we had developed these master plans I was almost out of office. We had learned a lot, but it had taken us a long time to learn it. Other states would have to learn our lessons all over again.

For that reason, we need an agency serving all the states which could collect and store the experiences of past governors and their states. The Council of State Governments can probably do this, in addition to its already valuable service to the states. Education requires a special brand of interstate cooperation. This might well solve the situation of one state wrestling with a problem which another state has solved 10 years before. We need this cumulative knowledge and the experience gained from past battles in planning our future ones.

The states must revise their tax structures. Perhaps the federal government should relinquish some tax sources to the states or, perhaps, return part of the tax receipts.

The executive branch should be strengthened. In too many states the executive power is too diffused. Wouldn't it be better to concentrate executive authority and responsibility in the governor, the one state official the voters can and do watch?

These are but a few suggestions. We must come up with many more if we are to make state government stronger that it might better serve, be more creative, reach more people, and secure the future of federalism.

We are going to try to put into clear focus the causes of the decline of the position of the states. With the advice of scholars, governors, legislators and other public officials, we are going to try to suggest the prescription to develop state responsibility through more effective administration, more responsive government, and more meaningful participation.

Only then can we restore the states to a position of leadership and watch them grow into true partners for the sustenance of the nation.

END

A CAMPUS-EYE VIEW OF BUSINESSMEN

It's often unflattering but it can be improved,
says university president James C. Fletcher



PHOTO: FRED WARD

BUSINESSMAN James C. Fletcher has learned a great deal since he became president of a major American university one year ago this month.

Some of the lessons have been reassuring, others disquieting.

He feels that on far too many college campuses, far too many professors are voicing inaccurate, unflattering and outdated ideas about businessmen and the profit system, and the misconceptions are being passed along to young people like a low-grade infection.

His observation is neither gratuitous nor casual, but the deliberate expression of one who is as much at home in the world of businessmen as he is in the world of academicians.

Before launching a highly successful electronics enterprise in the 1950's, Dr. Fletcher was an instructor in cosmic ray physics at Princeton and Cal Tech. By the time he stepped into the presidency of the University of Utah at Salt Lake City last year he had become a vice president of Aerojet-General Corp.

and chairman of his own company, Space General.

He concedes that he, too, had a strong prejudice against the profit motive when he left university life to enter business for the first time.

"I went into business to try it for a year," Dr. Fletcher recalls. "I stayed 15 years. In the process I gained a healthy respect for business, the role of profits in our society, and a new respect for the contribution businessmen make to America. Unfortunately, a lot of people in our colleges and universities have negative views on all of these points—unless, of course, you are talking about those departments of a university specifically geared to business."

On campus, he points out, it is often forgotten that the nation's prosperity depends on business. "We wouldn't have large public universities if we weren't prosperous," he states, citing his own tax-supported 13,000-student institution as an example.

More often than not, the professional attitude toward the businessman is equivalent to the portrait of the entrepreneur drawn by George Bernard Shaw in his plays, Dr. Fletcher has found.

"The businessman, as seen by Shaw, is typically hard-nosed, gruff, a 'blast the unions' and 'fire this guy if he's not up to capacity' type. That's the image university people quite often have. To many of them business is undignified and not a really useful pursuit."

To remove the wall of misunderstanding which often separates the educator and the businessman, Dr. Fletcher recommends much greater

interchange of ideas. He has in mind two-way traffic because he feels that businessmen themselves are sometimes guilty of looking at higher education through the wrong end of the telescope.

One move that would help, he suggests, is for businessmen to invite more university professors to serve on corporate boards of directors. Doing this, the businessman would hear questions raised and points of view expressed that otherwise are missing in a typical business setting. Some of this thinking could be useful as well as refreshing, the 46-year-old educator asserts.

Advisory boards urged

Another step he recommends is the creation of more industrial advisory boards to universities. Among other things, these boards—comprised of businessmen—would help schools of higher learning bring their curricula realistically into line with the needs of industry. "This is already being done to some extent," he says, "but there is room for more of the same."

Dr. Fletcher says the curriculum planners have to be especially careful in these days of rapidly changing technology. At his own school the faculty was about to give a course in a certain technical field until a check with industry showed that the field was already obsolete.

More contact with industry would provide university people with the opportunity of seeing firsthand what the businessman is up against, Dr. Fletcher believes. "If the exposure did nothing more than offset the bias against profit-making it would be worth the effort," he adds. **END**

HOW BUSINESS WILL BE A YEAR FROM NOW

UP. That's where business is headed and that's where it will be 12 months from now, predict industrial and commercial leaders surveyed by NATION'S BUSINESS.

Of more than 250 executives who wrote detailed answers for the magazine's latest nationwide poll, only a dozen pessimists replied. This handful believes a slump will jar business sometime between now and the middle of 1966.

It's the opinion of 140 key executives that the economy will move out of its already high orbit and streak to even greater altitudes in the coming year. Another 100-plus, while skeptical about the likelihood of a loftier leap, nonetheless foresee prosperity holding to a steady course.

"We expect the best sales and profits in our history," exults the executive vice president of a company in Atlanta.

The findings add up to the most impressive show of confidence that NATION'S BUSINESS has encountered in nine years of probing the economic outlook through formal surveys.

Business bullishness continues despite international crises, an unresolved wage situation in steel and the fact that the nation is entering its fifty-third month of uninterrupted economic expansion. The word straight from businessmen seems a more reliable indicator than the wave of stock-selling.

(Beginning in the fall, NATION'S BUSINESS will shift the timing of its semi-annual business expectation surveys from a mid-year, end-of-year schedule to a pattern of spring and fall reporting.)

Of the businessmen participating in the latest survey, about half are presidents or board chairmen. Written replies came from managers in leading companies in all principal sectors of business and industry.

It is almost axiomatic that executives express more optimism over the outlook for their own companies than about economic prospects in general. However, 213 describe themselves as optimistic about expectations for their own businesses, as compared with 248 business leaders who predict that business in general will either

Most businessmen predict
next 12 months will be
even better than past 12.

Most feel they will
have to raise their prices
in the coming year.

Most anticipate
stable or rising profits
despite cost pressures.

Most plan to spend more
for capital projects than
they did in past year.

maintain its present high level or climb new peaks in the year ahead. A majority expects to have to raise prices as a result of wage-cost pressures and, in some cases, government policies.

Among those who describe themselves as having mixed feelings about how well their own companies will do is Russell F. Erickson, president of Rayonier Inc., manufacturers of chemical cellulose. Mr. Erickson elaborates: "I'm not pessimistic, but some areas of our business may develop weaknesses due to excess supply."

The economic analyst for a large food processing firm says his restrained feelings stem from "a competitive squeeze on commodities—rising processing costs and shrinking or stable profit margins."

Some managers in steel or related fields indicated caution in their answers because of uncertainties involving the steel settlement.

But such qualifications hardly detract from the popular mood, which clearly is one of strong optimism.

In a typical comment, Arjay Miller, president of Ford Motor Co., says he is optimistic about the general outlook and prospects for his company in particular. This would mean the fourth high-powered sales year for autos.

Further tax relief was cited by several businessmen as a factor that would contribute to continued vigor in the economy. But it was not first choice. The factors most frequently mentioned—in their order of selection—were these:

Sustained consumer confidence.

Labor peace.

Avoidance of a big war.

Reasonable wage settlements in pace-setting industries.

A continued high level of business spending.

H. Y. Bassett, president of Calumet & Hecla, Inc., suggested: "A reduction in government controls and restraints to normal business growth."

Charles J. Zimmerman, president of The Connecticut Mutual Life Insurance Co.,

A YEAR FROM NOW

continued

believes the factor most likely to spur business would be "a stop in rubber-stamp voting by Congress on all sorts of welfare programs without regard to their eventual cost."

Another executive, Edwin Parker, president of A. G. Spalding & Bros. Inc., sporting goods manufacturers, rather wryly urges: "A couple of 'American' decisions by the Supreme Court."

Corporate officials attach great importance to the continuing psychology of confidence among consumers and businessmen alike. This good-times mood could be broken by a major turn of events—a much bigger war in Asia, for example. If confidence is broken, it's noted, people are likely to spend less and companies could curtail or cancel projects that pump dollars into the economy.

Besides international crises, the main factors that could slow business, judging from comments in the survey, are disruptive labor strife, inflationary wage or price increases, unsettling developments in the balance-of-payments picture and a strong, unexpected antibusiness move by the federal government. But most consider these unlikely.

One development that could have a slightly dampening effect is the prospective \$6 billion increase in social security taxes that will become effective next Jan. 1. This could be "depressing" when coupled with the existing tax load, according to Donald C. Power, chairman and chief executive officer of the General Telephone & Electronics Corp. But he also says he believes the economy will draw much strength in the next 12 months from continued expansion of capital spending.

The price weathervane

Most businessmen expect to have to raise their prices in the 12 months ahead.

Here are the figures on that one:
Expect to raise prices—140.

Do not expect to raise prices—90.

May lower prices—24.

No answer—six.

Where price hikes are planned or considered likely, cost increases—notably from wage pressures—are most frequently cited as the cause.

For companies with diversified products, "We will go up on some items, down on others," as one manufacturer comments. Another says: "The pattern will be selective."

One businessman expecting both to raise and lower prices in his multiple-product line is William G. Phillips, president of the Glidden Co., which manufactures and sells paints, foods and chemicals. Mr. Phillips is bullish about the coming year and expects his company's profits and payroll to rise.

In some companies rising costs are being offset by improvements in productivity which eliminate the immediate need to raise prices. An apparel manufacturing company in the south is an example. Its president reports that sufficient productivity gains have been achieved in his plant to make price increases unnecessary at this time.

H. J. Heinz Co. President Frank Armour, Jr., says his company's prices may climb. "Because we rely so much on agriculture and because of the exclusion of bracero labor [by the federal government] we already know that our costs of fruits and vegetables will be greatly increased and probably will result in the need to increase the price of finished products.

"In fact," he says, "we may be faced with considerable difficulty in getting all of the raw materials we need."

Increases in prices they must pay for goods and services are anticipated by most executives. The consumer price level is expected to climb by about two per cent. However, many see foreign and domestic competition exercising some braking influence.

"Consumer prices, primarily because of higher prices for services, will continue to rise from one to 1.5 per cent," forecasts John D. Harper, president and chief executive officer of the Aluminum Co. of America. He believes that wholesale commodity prices, "although quite stable in recent years," will probably move up a little over the coming year as measured by the Bureau of Labor Statistics.

Employment—up or down?

The job outlook is bright.

Only 26 of the 260 executives replying foresee a decline in jobs in their companies during the 12 months ahead; of the remainder 100 say they will hire more people and 134 expect employment levels to remain about where they have been in the past 12 months.

Spokesmen for companies in such lines as chemicals, heavy manufacturing, tires, paper conversion, farm equipment and aircraft manufacturing predict rising employment.

Dropping employment is foreseen

by spokesmen for companies in scattered industries, including metal fabrication, electronics, steel, railroading and insurance.

Predictions about profits per dollar of sales broke down this way:

Rising profits—111.

About the same—117.

Declining profits—25.

Seven executives call the question not applicable to their companies.

Capital spending prospects

Some 30 business leaders pin their hopes for continued prosperity on high levels of spending by business itself—for new plants, new equipment, modernization and other big-ticket projects.

The survey indicates that a high level of capital expenditures will be sustained well into 1966.

Of the decision-makers responding, 135 say their companies will spend more in the next 12 months for capital projects than they have in the past 12. Eighty-nine indicate they'll spend about the same. Only 36 managers expect their companies to spend less.

John T. Hackett, economist for Cummins Engine Co., believes that continued strength in business investment will do more than anything else to keep the boom booming. The vice president for finance of a major petroleum company sees the economy in a kind of see-saw posture. If capital expenditures rise in the coming year, he says, the prosperity end of the sea-saw will tip up; if business confidence is in some way damaged, capital spending will be curtailed and prosperity will go down.

By a margin of more than three to one, business leaders favor further tax reduction—and, for the most part, soon.

Lower corporate taxes, businessmen say, and you'll spur business spending while helping to hold the price line.

Reduce personal income taxes and you'll give the consumer even more incentive to spend.

"Proper tax reductions tend to remove restraint, allowing our economy to reach its growth potential," asserts George E. Beggs, Jr., president of Leeds & Northrup Co., which manufactures electrical measuring instruments.

While there is strong advocacy of tax relief, many business leaders are concerned about the high level of federal spending and an inflationary bias in the economy.

One executive comments: "We must inevitably face the problem of

stopping inflation or of adjusting to the consequences of it. I would prefer to stop it."

Some businessmen who don't recommend immediate tax relief nonetheless stress the desirability of study and reform of existing tax regulations to correct inequities.

"The need for streamlining and clarifying tax regulations cannot be overemphasized," says Dr. Jesse Werner, chairman of the board and president of General Aniline & Film Corp. He points out that the obviously helpful effects of the two recent reductions in corporate income tax "make it apparent that further reductions should be . . . instituted at the appropriate time."

E. J. Hanley, president of Allegheny Ludlum Steel Corp., maintains that "the entire tax structure should be recast."

Dissenters on the question of tax cuts generally hold that the machinery of the tax system should be treated somewhat gingerly—a leave-it-alone-for-now attitude. Some managers specifically suggest that tax cuts be used to firm up the economy only when it shows signs of going rubbery.

"I do not favor further tax reductions in the aggregate until there is a closer balance between income and outgo of federal cash expenditures," says John V. van Pelt III, vice president of Vulcan Materials Co., in a typical observation.

Labor cost projections

The NATION'S BUSINESS survey reveals that labor costs of business and industry will go up an average of 3.5 per cent in the next 12 months. This includes fringe benefits. Surveys in the past nine years have also predicted increases in this range.

Some businessmen point out that the deferred settlement in steel—once finally reached—will have an effect on their wage costs that cannot be fully evaluated now.

Another question in the latest survey asked:

"Some economists now consider the possibility of a major recession or depression in the United States practically out of the question [see "Why Recessions Are Obsolete," NATION'S BUSINESS, May]. Do you feel the same way?"

A majority of managers agrees with the view that serious recessions are a thing of the past—but the margin is slight.

Many businessmen still feel that our economy could get into serious trouble. The tone of the comments suggests that businessmen as a

group are not as confident on this point as are some economists.

Among the skeptics is the president of a large retail chain store operation. He says, "I believe that a continuation of present governmental policies will lead to more and more inflation that could result in a major recession."

Yet, some businessmen hold that government is exactly the force that makes recessions or depressions unlikely. "Government action would prevent any future recession from becoming too severe," remarks one company head.

Department store president C. Virgil Martin (Carson Pirie Scott & Co., Chicago) argues that a categorical "yes" or "no" cannot be

given to the question. "It depends on our intelligent and sophisticated use of governmental power—and broad world conditions," he declares.

There is always the danger of the unforeseen, many business leaders caution. World war. A severe worsening of the gold outflow. Wide-scale civil disorder. A sharp slump in the confidence of the buying public. The danger of a recession starting in another part of the world and then jumping oceans and involving us. These are some examples cited of events that could upset any projection.

One company president sums it up in a few words: "If everyone agrees—look out!" **END**

LESSONS OF LEADERSHIP *continued from page 41*

executives of today are of much higher caliber and have much higher standards than they had 50 years ago.

What do you mean by "social consciousness?"

I mean that business should not strive only for profits on the balance sheet. You've got to make money to keep a business going, but business should also have social consciousness, be a good citizen, do its part in the community.

Some chain store businesses years ago, for instance, would never allow their managers to make contributions without referring them to headquarters. And they never made any.

I decided to go in just the opposite direction. I said to my store managers, "You do your part in your community, you give to the local charities and public causes, you give as much or more than any of the other merchants. You have the authority to do that. You don't have to come to Chicago for it."

The result is our managers then as now invariably hold high positions of regard in their communities.

And this has its reflection in what people think of Sears?

Yes, it's good business, as well as good ethics.

Looking back over your career, what are the toughest decisions you have made in business?

Well, I had many tough ones to make.

The first one, the most important one, was the decision to go into the retail stores.

Up until 1924, Sears and Ward's had been purely mail order houses. I was vice president of Ward's in charge of merchandising from 1919 to '24. I had left the army in 1919 and saw even then the movement of population. I always had been interested in population movements. It was a hobby with me—and I thought I saw the movement of the farmers to the cities and the extension of good roads.

Both Sears and Ward's were great merchandising organizations, had a good name, had great resources and it seemed to me very simple to start a system of retail stores whereby you pass the goods across the counter instead of passing it through parcel post and only to the people in rural communities.

As a matter of opportunity for growth?

Yes. It costs more to do it across the counter, but the great cities and the small cities did no business with us and it seemed to me it opened a great avenue of sales.

It was a perfectly simple idea, but the then chief executive at Ward's met it with great opposition and I couldn't put it over. So finally I left Ward's and came to Sears.

Mr. Julius Rosenwald, who was the chairman of Sears, was very doubtful about it. But apparently he had faith in me and told me to go ahead. I opened up the first store here across the road in the mail order plant.

We were as green as grass in passing the goods across the counter—and we made many mistakes—but the concept was sound.

We gave the people values. In spite

LESSONS OF LEADERSHIP

continued

of our mistakes, they kept coming and the store was a success from the day we opened. That was in 1925.

Then we opened a store in our Seattle mail order plant, another in Kansas City and another in Philadelphia.

There was great opposition from everybody in the mail order organization here. They thought it would ruin the mail order business. I knew it wouldn't, that each would help the other. And the mail order business—or more correctly the catalog business—instead of being a dying business, is today the largest it has been in its history.

We opened stores here in Chicago on Lawrence Avenue and one at 79th Street. That was a new concept because, instead of going into the so-called shopping districts, we went on the periphery.

Then, as now, the department store was essentially for the women. Eighty per cent of their business was in women's wear, apparel, hosiery, nylons and all other apparel. A man in a department store was lost. He was jostled around by the females and he had nowhere to go.

We made it a store for the family; in other words, for the men, too.

We added hardware, tires, service parts and other items of particular interest to men.

Then we had no trained retail men. But we had the values that kept bringing the people.

Haven't you said in the past that if you have good men and train them, that they will take care of most things?

Sure, but that was our principal difficulty in the beginning.

Sears has always promoted from within, but I had to go outside for the managers of the retail store. It was a process of trial and error and it was 10 years until we developed young men coming up that we could promote as managers.

That was our great difficulty in the beginning in the retail stores.

The next big decision was in '31 when I decided to open Allstate, the Sears insurance business.

Every director I had was originally opposed to it. Fortunately, they were all my personal friends.

They, too, had confidence in me but not in the plan. They finally approved the idea.

Do you know what the initial capital of Allstate was?

It was \$700,000. Of course we had to put in a great deal more afterwards because the company grew so very fast. As the insurance laws required a certain amount of capital in proportion to reserves, we had to keep putting in money until we finally put in, over the ensuing 15 years, \$54 million.

We have taken out already approximately \$125 million in dividends. I would say the net worth of Allstate today is well in excess of a billion dollars. On top of that, we have something that no retailer or very few, and few manufacturers, have. We have behind us over one billion dollars in Allstate.

In case of necessity we could convert those to dollars. The liabilities are reserves which are never paid. We don't use these assets for Sears. I mean, Allstate hasn't a dollar's worth of Sears stock. And we have no loans from Allstate. But in time of distress we could fall back on it.

My directors asked me two questions when we went into Allstate. They were both very pertinent.

One was, "Why should we go into anything now?" Everybody was losing money in 1931.

The second was, "What the hell do you know about the insurance business?"

I said, "I don't know very much."

But I knew two things: One was that while I didn't know much about insurance, I did know that every insurance agent spent a good part of his time pounding the pavement looking for prospects and that if we put the insurance agent in the store, the customer would come to the agent rather than the agent going to the customer. This would make our costs of acquisition very low, which they turned out to be.

When you had all your colleagues and advisers pretty much against it, it must have taken courage on your part to fight it through.

Well, I felt I was right and, while they didn't see it, they apparently had confidence in me.

General Wood, what do you see as the role of businessmen in relation to government today?

I think they've got to do their part in being of assistance to government when they are asked. I think that is the most important thing they can do.

I spent 10 years of my life in Latin America, you see, in the building of the Panama Canal.

I think I know Latin America pretty well. You realize that no

business, however skillfully it is handled, can develop properly if the government is corrupt and inefficient. So every citizen has an interest in making it a good government. Ours isn't perfect by any means, but it's a good deal better than most governments.

Would you suggest that more businessmen take part in politics?

I think they should take part in local politics and national politics as far as they can, if they can. Then, in a national business like Sears, to give people what they want you've got to understand the United States and you've got to realize the changes that are taking place in the United States.

For instance, this whole business rests on a body of merchants that buy our goods and, in turn, they rest on the manufacturers who make these goods.

Then, also, because of the growth of population, the time has gone by when you can buy any heavy article, where freight is an item, from one factory, say, located in New England or Pennsylvania. You've got to have a chain of factories.

You can buy Mrs. Mrozynski's nylon stockings in one place, because freight is negligible; but you can't buy saws or hammers or machinery or tires in one factory.

You can't distribute goods from one plant, as Sears did 70 years ago from one plant in Chicago. We now have 11 mail order plants.

In other words, as business grows bigger, you've got to have a bird's eye view of the United States and place your stores and plants and your distribution where the conditions are most favorable and where the growth is the greatest.

What great trends do you see developing now?

I think as far as growth is concerned it is greatest in the Middle Western states, east of the Mississippi, the South, the Southwest—Texas, particularly—and the Pacific Coast. California, of course, has the largest growth of all.

There are other factors that enter the picture.

Sears today is the biggest retail distributor in the world, but we don't have a store in downtown Manhattan, which is the biggest retail market in the United States.

People think that is strange but the reason is that our systems of stores are built around the automobile.

When Ford made the tin lizzie

and the automobile commenced to go to all people instead of the very rich, that made shopping mobile. In other words, a woman could get into her car and go anywhere.

Before, she had to go down to the so-called shopping district, which was congested. We were first to take the store to the people instead of the people to the store.

But, going back to New York City, we don't buy property for retail stores by the front foot. We buy the property by the square foot because we've got to have at least five acres for a big parking lot to service these customers. If you know Manhattan Island, first, there aren't any five acres vacant. Secondly, the price is so sky high that Sears would be working for the landowner instead of its customers.

Plus the fact that the young matron with children who lives in the suburbs or the periphery of the city can't bring a couple of young children downtown in her car and shop with them.

Now, in our first store we had parking for baby carriages. Young mothers could come down and park their babies and go into the store and shop.

Certainly the women take care of the family budget.

But we have a tremendous number of men customers. We have the largest business in the United States for hunters. We have the largest fishing tackle business. We sell millions of tires a year. The men buy those.

We also have one of the largest hardware businesses in the United States—we sell a tremendous amount of power tools.

People change all the time. Wages have gone up, salaries have gone up. There are more and more people that have time for recreation.

Forty years ago golf was only for the rich. Today, a painter, a plumber, everybody plays golf. And painters and plumbers go fishing and hunting just as much as rich men.

After you moved from president to chairman of the board in 1939, you had quite a succession of men who became president. What did you look for in selecting these men?

Well, I knew their records and I knew the men. The present chairman, Austin T. Cushman was first hired at \$25 a week out in Oakland, Calif.

I had an ample opportunity to judge their brains, their character and their working ability.

There's one factor in connection

with the succession of people. A large company has to have a retirement plan, human nature being what it is.

Men with big salaries sometimes will hang on and hang on till they're barely tottering. You have to give the young men and the young women a chance. You have to have a retirement plan so as to have promotions.

On the other hand, I have often thought that maybe a great mistake I made in business was that when I retired I chose a man who only had a few years before retirement.

We had three presidents and three chairmen within 10 years. Well, you get no continuity of policy that way. You've got to appoint younger men so they will have longer terms to serve.

I had a very unusual opportunity because while I was president of the company, Mr. Rosenwald was old and not too well and he turned the company over to me. Then, when he died in '32, his son was made chairman. But he lived in Philadelphia, was executor of his father's estate and he didn't have much time.

So I had undisputed management of this company for 26 years. Now, you don't have that very often, but there was a continuity of policy.

You mentioned that you look at a man's record. You get to know his brains, his working ability, his character. Does any one outweigh the other?

I think character is the most important of all. His general outlook on life, the kind of man he is. There are a lot of very smart men without any character.

What do you think develops character of this sort?

I think it starts with childhood, the kind of mother and father you've got.

So it's not the type of thing a person can necessarily build into himself?

Well, some do. And, another thing, I am not able to appoint a man to a big position until I know what sort of a wife he has. And his home life, because it's only a man of the most extraordinary ability that can overcome an unhappy home.

If he's got a nagging wife, a faithless wife, extravagant wife, it is bound to tell in his work.

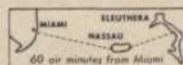
I know that from experience because these days it is quite a feat to have had one wife for 57 years

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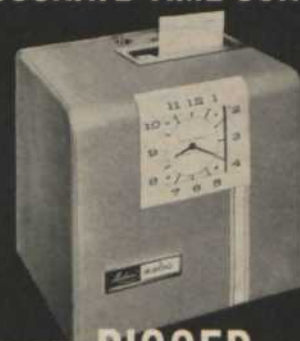
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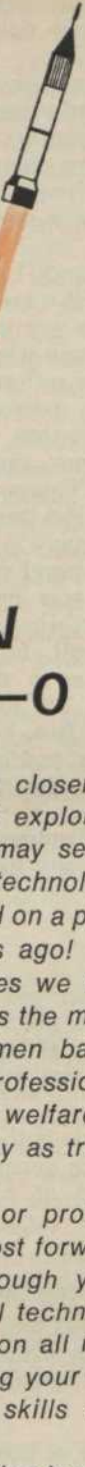
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LESSONS OF LEADERSHIP

continued

and still be crazy about her, as I am.

What about your army days? What value do you put on this experience in relation to your subsequent business experience?

I feel very grateful to West Point. I was the youngest man in my class. When I entered I was 17 and I was a heedless, undisciplined boy. I hated the discipline, but it made a man of me. I went right from West Point to the Philippines when the insurrection was on. I spent two years chasing guerrillas in the mountains and getting shot at occasionally.

Then I had a year on one of the old frontier posts in Montana. I was ordered back to West Point as an instructor, and I was only there a year and a half when I got my big chance. I got to Panama. I was loaned to the Canal. I spent 10 years there from the beginning of the work to the end of the work.

My wife and I were on the first boat that went through the Canal.

I had charge of the recruiting of labor and housing and feeding of labor. I was director of the Panama Railroad and handled the terminals at Panama, at Colon and Balboa. And then I had the supply system of the Canal, and without knowing it I was getting wonderful experience for what I did afterwards at Ward's and Sears. Sears and Ward's are great supply houses, I mean.

The trick is to turn over the inventory and have enough goods on hand and not too much.

I had that problem in the Canal, only it was pretty difficult in that we were 2,000 miles from the supply source.

And in days of much more primitive transportation.

Oh, yes. It took seven days then for a boat to go from New York to Colon and, when we were building the locks, we used about 5,000 barrels of cement a day.

It was all right in the dry season, but in the wet season your cement sank so you had to keep it flowing. And every time we had a hurricane, we had an awful time.

What was General Goethals' secret in getting the Canal built?

He was a brilliant man. He was an engineering officer. He had tremendous energy, tremendous will

power, and I don't think anybody else could have finished the Canal in time or for the money he did. He was a wonderful executive.

That gave me considerable business experience.

After we finished the Canal, the war broke out a year later—World War I—and I went back to the army. I had only been out a little over a year. I went over to France and they brought me back to be quartermaster general of the army because of my experience in the Canal.

That gave you more good experience?

Yes. Supplying that army in time of war was some job.

Looking ahead, what do you think are the most important abilities that a young man is going to need?

I think more and more you've got to have technical knowledge. You've got to understand modern science.

Will more and more American businesses be looking abroad for their growth?

I think they will, to the south of us. I mean Latin America. And Canada is due for enormous growth.

Whether it will pay to go into Asia and Africa I doubt, because I think conditions would be unsettled there for many years, and no matter how good a job you do you can have troubles. The first store I put outside of the U. S. was in Havana and it was very successful; but Castro took it over and confiscated everything.

We didn't lose any money because we had already taken out our investment. In Brazil, which had one of the most corrupt and inefficient governments in the world, we made plenty of money in merchandising, but it was swept away by the devaluation of the currency. If the government is no good, you can't do business.

What field would you advise a young man entering business to get into?

That's a broad question. There are certain businesses that decline and pass out.

For instance, when I came in here 40 years ago, the harness business was one of the most profitable businesses in the plant.

The point is to see the lines that are expanding. For instance, any line connected with recreation, with the automobile, is going up and up. Some day, of course, it may be new things.

But generally speaking, if I had a

boy today growing up, I would want him to get a technical education—engineering, geology, chemistry, physics, anything with mathematics. I think that's your best foundation.

You seem optimistic about the future of this country.

Well, I am not sure. From a material standpoint it looks all right, but there are certain great weaknesses in our society that are beginning to appear.

That again comes back to the character and the moral standards of the people, and I am speaking of all the people—not the rich, not the poor.

If our standards are low, if this juvenile crime continues and people get so absorbed in the material side of life, then it is the beginning of the end.

You see this as a potential weakness?

A great deal. I don't know any

more than you, but I think there is the danger. When you read the history of Rome—every now and then I go back and read Gibbon's "Decline and Fall of the Roman Empire"—read the chapter on the emperor Diocletian. Everything that Franklin Roosevelt proposed in the New Deal, Diocletian put into effect and the Empire died a hundred years afterwards.

It wasn't the barbarians that destroyed Rome, it was the decline in the character of the Roman people.

And we may, too. I hope not. But it's the character and standards of our people—that's what is important. **END**

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KEEPING KIDS IDLE *continued from page 35*

drunk fines at \$2 a day—to serving as mechanics' helpers and installing radios in police cruisers.

Two enrollees sent over to the Chattanooga library to work on a year-long book inventory couldn't even read. "They wouldn't have done us much good," observed Miss Elizabeth Edwards, the librarian.

This project was killed anyway by the minimum wage. The original plan had been to take on 20 starting at 80 cents an hour, compared to \$1 an hour paid to part-time college students and beginning clerks, and \$1.25 paid janitors.

Ben Seessel, a member of the library board, estimates that it would have cost \$9,000 to \$10,000 a year to raise all library wages in line with a \$1.25 minimum.

Another public agency that turned down the program in Chattanooga was the Baroness Erlanger Hospital, a city-county facility. Roy McDonauld, head of the hospital board of trustees, blames the minimum wage and concern that "the people would regard themselves as temporary and we wouldn't get anything out of it."

National average?

He points out that his hospital, which handles one third charity cases, couldn't afford to raise salaries all along the line to conform to a \$1.25 minimum.

A Labor Department spokesman claims that the \$1.25 minimum was set to reflect the prevailing nation-

wide average. That it is not the average for the unskilled is reflected in President Johnson's request that the minimum wage coverage be extended to some 4.6 million more workers in retail, laundry, hotel, motel, motion picture, theater, restaurant, taxicab, hospital and construction enterprises and logging operations.

The government estimates that 31 per cent of those to be covered now receive less than the current minimum. The pressure to raise wages in communities where the Youth Corps is in operation shows the effect that enactment of the President's request could have on wages of employees now making around the minimum.

The Cleveland school system, for example, raised wages of cafeteria workers because of the Youth Corps program there.

The program's role as a wage-booster was noted by Arkansas Gov. Orval Faubus early this summer at a press conference with Labor Secretary Wirtz in connection with a program for his state. He was asked whether the \$1.25 to be paid Youth Corps enrollees represented the prevailing wages at establishments where they were to work.

The governor replied that it was above the level in some places, but that the state decided to go ahead regardless and that those paying less should raise their wages anyway. **END**

Are you getting across to employees?

In many organizations today key people don't really understand company policy

THOSE WERE tense, angry moments that day in the office of a West Coast electrical equipment company.

Somewhere somebody had goofed, and the firm had lost a promising customer.

Company executives didn't waste any time finding out what had gone wrong and why. A salesman in the field had asked the home office to clarify the firm's credit policy and the clarifying explanation had been too slow getting back to the field. During the delay the impatient prospective buyer took his business elsewhere.

The incident points up a problem typical in many businesses today: Failure to spell out and quickly communicate company policies to those who need to know them.

Recent investigations indicate that many firms

simply are not getting through to employees with vital operating guidelines. Rapid corporate growth, changes in technology and decentralization are factors that tend to magnify the problem.

Full understanding of policy is essential for managing complex and far-flung activities of modern corporations as well as for those small but rapidly growing firms which may never have bothered to write out statements of purpose and policy.

Recognition of this is leading many firms to sharpen their policy-making. The trouble is all too often the effort ends there. Many a skillfully conceived policy statement falls short of its objectives: being understood, accepted and followed.

The answer to why this shortcoming should exist frequently lies in the way policies are communicated. Even the biggest, most modernly equipped companies still rely heavily on formal, written statements to spell out policy to managers and employees.

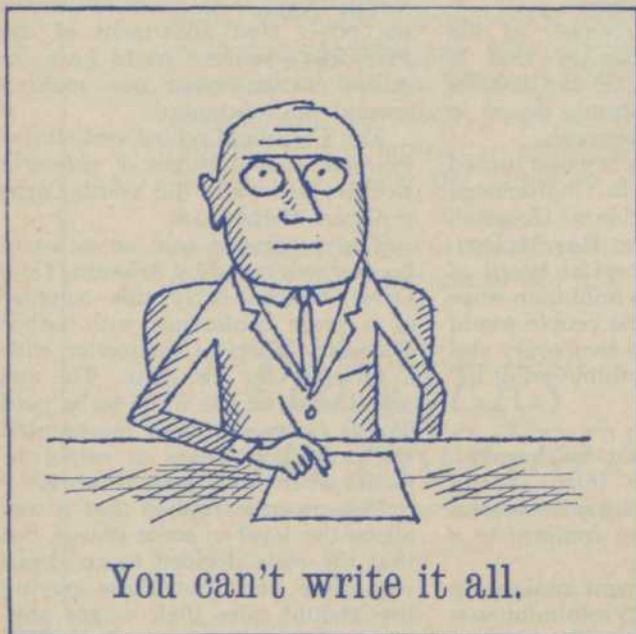
There's plenty of evidence that, important as they are, written statements don't get the job done and that more effective methods of getting the word from top to bottom are urgently needed.

Why messages go wrong

Complains a policy-maker for one big chemical company: "No matter how carefully we word them, at least half of our statements are bound to get misused or misinterpreted somewhere down the line." This is probably a conservative estimate.

Like most firms these days, this executive's company transmits its policy pronouncements by written directive—an executive memo, presidential letter or some other formal means. To avoid such formality

David S. Bushnell and William R. Wood, the authors, are management communications specialists. The survey described in this article was conducted by Mr. Bushnell, who is now on the staff of Stanford Research Institute.





Often boss doesn't know.

would invite distortion of important messages. What's more, the more complex or widespread the organization, the clearer the apparent need for written statements of policy.

Recent research suggests that those who rely principally on memos, letters, manuals and other printed material to communicate statements of policy not only fall short of achieving the desired results but actually contribute to new problems of misunderstanding. It has been found that written statements, when not accompanied by other means of explanation, tend to:

- Raise more questions than are answered.
- Discourage individual initiative in carrying out the policy.
- Stifle upward communication of questions and suggestions.
- Build up resistance to developing new ways of doing things.

These and other findings are the result of an extensive study completed recently for one of the country's biggest electronics manufacturers of its communicating procedures. The examination has led to top-to-bottom revision of management communications practices.

Face-to-face discussion

In the study, more than three quarters of the several hundred managers questioned said that they were not only dissatisfied with the information provided in written policy communications, but that in many cases they had come to rely heavily on less formal, often unofficial information sources for the answers they needed.

In 90 per cent of such instances, the trusted source was the individual's immediate superior—a person with whom he had daily, face-to-face, informal contact. In addition, most managers, particularly at middle levels, said they withheld any interpretation of policy statements channeled directly to

them until they'd talked it over with their boss. Normally, of course, there's nothing wrong with this, except that in this case the survey showed that frequently "the boss" was as inadequately informed as his subordinates.

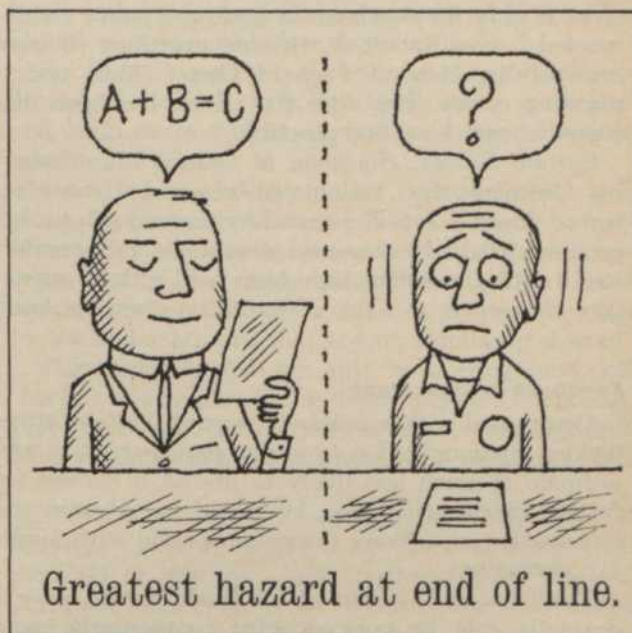
Such a compounding of distortion and misinformation in key places prompted just the kind of breakdowns in policy communication that this company's carefully drafted statements were designed to prevent.

Another factor revealed was a decline in preference for written instructions the further down the chain of command opinions were sampled. Upper level managers had a high tolerance for written statements. But at the foreman level more than 80 per cent preferred to receive policy explanations orally from their bosses. Written statements frequently were regarded by first-line managers only as an occasionally useful reference. "Written instructions give you only part of the story," said one first-line manager.

Beyond personal preference, another factor looms large in influencing some managers' views toward written statements. As organizations grow and decentralize, the flow of paperwork swells. A written statement, regardless of its importance, speaks in muffled tones to many executives who find it at the bottom of a pile of daily paperwork. This is particularly so when they'd rather be getting the news from their boss.

"We don't take the risk of having our important communications not read," says Louis R. d'Assaleaux, administrative vice president of McCulloch Oil Corp. of California. "We make it the job of every manager to call to the attention of his subordinates all communications affecting policy and other major matters."

Typically, the policies of business start with top management, which develops the rules by which recurring circumstances facing the company will be met. Statements of policy that emerge are weighed to



cover as many situations for as long a time as practicable.

Gone are the days when such emerging industry giants as General Motors could be run by chieftains like William C. Durant on policies that changed "as often as my office door opens and closes."

Nowadays, when operations extend beyond the earshot of the top man, most companies get direction from policies that are clearly and publicly espoused. This being the case, the consternation which many a chief executive expresses over his communication problems is not too surprising. Seldom does he have trouble getting nods of understanding from those at his own corporate level. It's down the line that the headaches arise; and the longer the line, the greater the hazards.

Arrange for questions

Distance, organizational size and other factors make this man's remark little more than wishful thinking for many companies. Still, few deny the value of the kind of free and open discussion he had in mind. In most cases where problems of policy interpretation arise, research shows there is a lack of opportunity to air questions and comments at an early stage and in an informal atmosphere where communication can move freely. Statements of policy seldom run afoul when there is free access of staff members to policy-makers.

Measured against business proficiency in other areas, the one-shot approach to policy pronouncements seems strikingly incongruous. Imagine the company sales department limiting to a typewritten page the explanation of a new product line to its field sales force.

Not only in sales, but in engineering, accounting and other departments, it is common practice to bolster written instructions with charts, diagrams, pictures, discussions and other means of increasing understanding. Why then must the policy statement, as vital as it is, be restricted to the eye appeal of a form letter?

"Preparing and communicating the policy statement is only the first step in getting a policy implemented," says Robert A. Grimm, operating division head of the Hewlett Packard Corp. "Real understanding comes only after the policy has been discussed at each level and practiced."

Sartain Lanier, chairman of Oxford Manufacturing Company, Inc., Atlanta-based apparel manufacturer, doesn't consider policies announced to his company's widely dispersed operations fully understood until discussions have been held with all managers concerned and the opportunity given for each to raise questions.

Feedback is important

Confronted with a precisely worded, authoritative-looking communication from top management, a subordinate is much less likely to fire off a request for further clarification than he would be if given the information in a lively discussion period with familiar associates.

Feedback of this sort at all levels should play a dramatic role in policy-making, particularly as a

prime source of ideas essential to keeping policies timely and pertinent.

"The manager who has to say it all in writing either doesn't care to make himself fully understood, or can't," maintains Robert W. Pullen, of Charleston, S.C., who is president of Public Savings Life Insurance.

In the policy communication survey described earlier, 78 per cent of the division-level managers polled said they preferred registering policy complaints or questions with their immediate superior, and rarely did they attempt communications of any kind with higher authorities.

Regarding 14 specific policy statements about which this company queried its managers, top management said it had been informed of only two instances where interpretive problems arose in the lower ranks. Yet three fourths of all the managers surveyed confessed serious misunderstandings about four of the policies, and 20 per cent said they felt they had received inadequate information about all 14.

Upward flow of ideas

What was needed, the company survey concluded, was a more creative and flexible method of explaining policies to subordinates. Reliance on written statements as the prime means of communication was simply not enough. A means of providing middle and lower level managers not only with written statements as a permanent record but with oral explanations of policy was adopted.

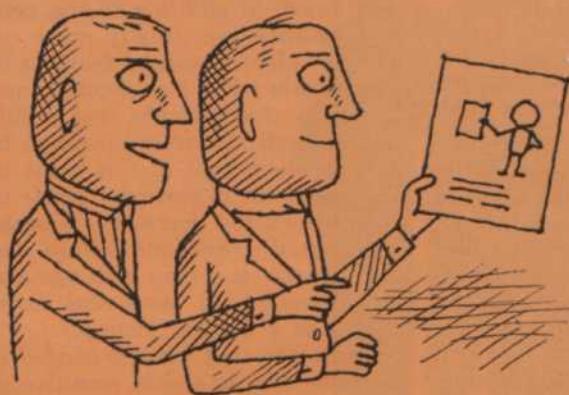
The company also decided that complementary discussions should be held in a comparatively informal, give-and-take atmosphere to build understanding and acceptance, as well as to stimulate an upward flow of information and attitudes from all levels.

Other companies have arrived at similar conclusions. Southern Bell Telephone and Telegraph Co. initiated an employee information program in which small group discussions, based on predetermined subject outlines, are held throughout the company. These regular meetings and follow-up reports of their results to management are frequently employed as a means of interpreting policies to employees.

A notable effort to clear executives' desks of some paperwork and, at the same time, to promote better understanding of key company communications has been launched by Mutual of New York Insurance Co. The company consolidated many of its corporate messages to managers into a single weekly newsletter called "MONEY News." Because of the importance of the editorial content to most managers, readership is high.

Coordinating written communications with supplementary multilevel discussion meetings often requires much more than a simple refocusing of present efforts. It takes a degree of organization that can involve reappraisal of a firm's entire policy communicating procedure. You don't have to be an industrial giant to benefit from efficient ways to get the word to your employees.

Logically, the first step in effective communication concerns preparation of policies. Policy understanding begins with the policy-makers. To make sure



Pictures make it pertinent.

misunderstanding isn't built into policy statements before they leave the head office, here are some tested rules to follow in their preparation:

1. Relate the statement to similar policies or recognized company operating rules. This gives people a point of reference.
2. State the purpose of the policy statement or change. A clear picture of the reasons will aid understanding.
3. Clearly establish the areas of authority involved in the policy and who is committed to its implementation.
4. Leave as much room as possible for interpretation by individuals who must apply the policy. Make it clear where people can exercise personal discretion and which points are mandatory.
5. Be realistic. A policy should offer a practical course of action in recognizable situations.
6. Provide for change. Policies should be subject to periodic review to keep them timely. Invite employee participation in such reviews and set up the mechanism to permit it. Participation in policy decisions builds enthusiasm and deepens understanding at all levels. Group meetings, employee publications, suggestion boxes and other channels are some of the means of stimulating this kind of upward communication.

How package approach works

Your aim is to develop a well designed communications package that employs a range of media designed to stimulate the greatest possible interest from the broadest possible number of those for whom it's intended. Here's an example of the way a typical "packaged" policy communication might work:

The policy committee—the boss in smaller firms—determines what will be the company's official attitude toward the publication of technical papers by its engineers. The policy, designed to encourage publication while safeguarding proprietary interests,

is drafted and approved by the company's chief executive or board.

Next it is sent to the staff group charged with coordinating communication. The staff arranges for discussion of the new subject at the next meeting of those employees involved.

Those managers to whom the policy is most pertinent arm themselves with the necessary background information and return to take up the matter with their own groups. At these meetings, they combine discussion with presentation of the written statement for their own use and distribution.

Announcement of the new policy is made in an executive newsletter which circulates to the engineers. Copies of the statement are posted on bulletin boards and made available to all who want them. Individuals are encouraged to question their immediate superiors.

The next week, an article prepared by a staff engineer describing a product breakthrough of company-wide interest is published in the firm's employee newspaper. Accompanying it is a story outlining the new policy statement which encourages the publication of technical papers by the engineers.

Often a musty policy manual is the last source looked to for clear-cut, timely definitions of policy. Its contents are difficult to amend or delete and are often not kept up to date.

In recent years, however, some forward-thinking companies have dusted off their policy manuals and put them back on their managers' preferred reading lists. Green Giant Foods, for example, has through the writing skills in its public relations department spelled out its policies in a lively manual.

Catch trouble before it comes

Throwing policy statements open to discussion in employee gatherings and publications does not mean that policy formulation should be a cooperative affair. Policy-making can obviously stem only from the top. Well directed, general discussion of the type outlined above, however, will give policy-makers the information they need to help pinpoint quickly and accurately unnecessary misunderstandings and reveal potential trouble spots before they develop.

By giving people at all levels the opportunity to participate actively in policy application, acceptance and enthusiasm will be strengthened throughout the company.

The chief goal of any policy communication is to generate maximum understanding. Without comprehension by all employees concerned, the best conceived policy is of little value. Enlisting the interest and support of employees at all levels sets the stage for the understanding that's required.

This demands skill not only in drafting good policies but in communicating them fully and effectively. Failure to use to the utmost the communications tools available is to accept a harmful handicap. **END**

REPRINTS of "Are You Getting Across to Employees?" may be obtained for 25 cents a copy, \$12 per 100 or \$90 per 1,000 postpaid from Nation's Business, 1615 H St. N.W., Washington, D. C. 20006. Please enclose remittance with order.

LBJ PICKS HIS MEN

continued from page 37

looking for the chief counsel for the Internal Revenue Service, we want someone who has had a successful career in tax law.

We are looking for analytical ability. So many government jobs call for an analysis of information that comes from a variety of sources; and, accompanying that, an ability to synthesize, to come up with some answer out of an analysis.

We want those who possess what Louis Brownlow used to call a "catholic curiosity"—people who are interested in the world around them and don't have a narrow, parochial point of view.

Finally, we are looking for the individual who feels a commitment to the program he is going to administer and to all of the President's programs.

What part does politics play in all of this?

We follow politics where the particular job calls for one party or the other. For example, many of the regulatory commissions must be bipartisan, so it's essential in filling the minority positions that we have Republicans. And the President is very insistent that

they be real Republicans. Sometimes we find, after checking, that they aren't really, and so we go back and look for somebody else.

Can a man who isn't a fan of the President come in and do a good job—perhaps on the basis of the challenge?

It would be difficult. One of the characteristics in our profile is a commitment to what the President is doing. I don't mean by that that you agree 100 per cent with everything that is being done, but certainly in the area where you'd be working.

There were a lot of Republicans in the last election who saw things very much the President's way. Many businessmen supported the President.

How do you personally do your screening? Do you ascertain the prospect's abilities by interviews?

Oh, yes. I try to get a triangulation on candidates by talking to people who know them. And we always make a number of checks. Then we insist on a high ethical performance and good character. In every case we have a full FBI field investigation run before an appointment is made.

My role has been to assemble the names of candidates for the President to consider. I try to give

him as many names as possible for each post.

Now, in this profile that I have mentioned, in addition to the general features, we usually make an effort to identify special features in a particular job at a particular time. It may be, for example, that in filling an Under Secretary position in a department that at this point in time what the department needs to complement the Secretary—because of internal conditions within the department—is a man with particularly strong and successful experience as a general manager.

It may be that what is needed is someone who is keenly sensitive to the program interrelationships, particularly those with the Congress, or with the states, or other countries.

Or it may be that we need someone who is a thoughtful and articulate professional in a particular field.

Then the President gives you a list of traits to look for, but beyond that you have some freedom as to whom you contact?

That's correct. I have these general characteristics and then usually I talk with the President about a vacancy and go on to these other features that I have described. Then I endeavor to pull together from the sources I have available in the White House and in the Civil Service Commission, and from the contacts I have around the country, the names and backgrounds of individuals who most nearly meet these profiles.

When I've lined up names I send them to the President to look over. In some cases he will send them back to me and say, "None of these particularly appeals to me. Keep trying."

Or he may say, "I think for this appointment, instead of going to the West Coast, you ought to go to the Midwest."

He takes a keen interest in the search?

Yes, a keen interest. I send memoranda to him, two or three a day, and he works at them overnight and I often get them back with a phone call.

You give him a description of the man?

Usually I send a one-page biographical sketch. I will send a summary of comments that I have acquired with respect to the man and any additional background that I may have. And then I add my own

And politics, too

Politics may be submerged these days in picking many men for government posts in Washington. However, federal jobs are still sometimes used to reward qualified people for their labor in the political fields.

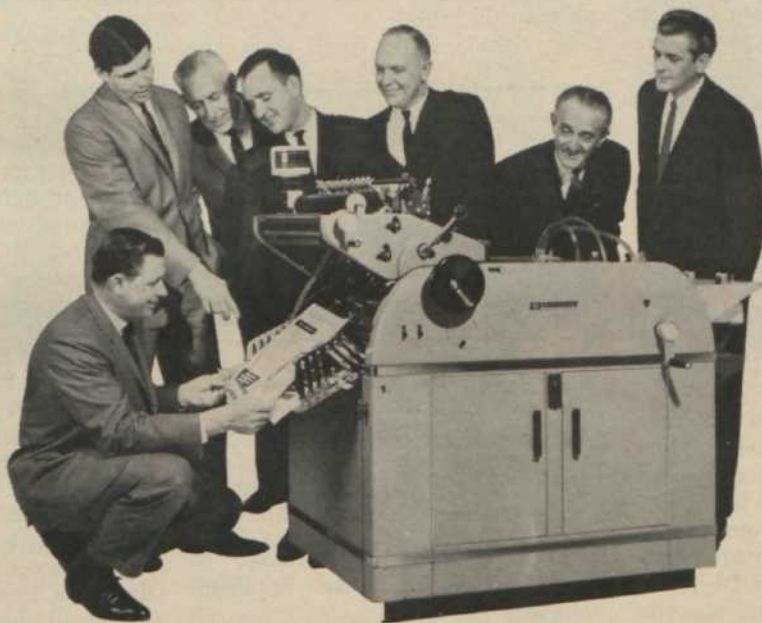
There are so many Texans in Washington now, for example, they are being advised not to wear western garb or brag of their home ties so their abundance won't be as noticeable.

Also the revered tradition of senatorial courtesy is still a factor when men are named for high office. It's a form of political patronage that works like this: The Senate normally won't approve a nomination for high office submitted by the President unless the Senators representing the home state of the nominee and of the same political party as the President approve of the nomination.

The Democratic National Committee also suggests some candidates for appointive office. "We throw some of the names in the pot," one party worker explains. And labor union leaders and other Administration supporters are checked for their recommendations.



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LBJ PICKS MEN

continued

analysis and evaluation on the cover.

Does the President ever tell you in advance, "Mr. Macy, I want so-and-so?"

Only rarely. In some cases we are under a heavy head of steam and he gets an idea. But very, very rarely does he say, "I think it's this person." Ordinarily he wants to have a number of names, and he may say, "I think you ought to take a look at whether or not so-and-so might be a particularly good person for that job." Then I will go ahead and add the individual's name to the group that I am working on.

In many cases you have to woo men away from highly paid jobs in industry. Is it tough?

It is difficult. And in some cases when I raise the name of a man, the first response I get is, "Oh, he is great, but he would never take it."

This is the President's response?

Oh no. This is the response of some people who know a prospect when I raise his name. I will say, "How about the president of X corporation?" They'll say, "He's great. He would be just the man for that job, but you will never get him."

But in some instances we have gone ahead and tried, even against advice of this kind. Secretary of Commerce John Connor is a prize example. He came in from a very well paying executive post—president of Merck. And, in his case, one of the many attractions was the fact that he had government experience before. We find this to be extremely valuable.

How do you persuade men to leave business to work for the government?

Usually I try to sell them on the importance, significance and excitement of the job that there is to be done. I don't make any apologies for the difference in compensation. In some cases the individual, after thinking about it, comes back and says, "I'm terribly sorry. I really would like to do this, but I have built myself up to a standard of living which I just cannot possibly cut back to the level that you offer. Now, when my youngsters finish college, if you're still interested in me, I wish you would call me then."

What other inducements do you use?

As far as the rewards are concerned, they are largely intangible. They are the rewards of getting a sense of satisfaction out of serving the country, satisfaction out of being a participant in solving a particularly difficult national or international problem. We point out the stimulation you can experience from working with other people who are engaged in the act of governing.

I find that with many business people, a discussion of the magnitude of the management problems is appealing. You talk about the millions of dollars of public funds in a program.

I was talking to a man not so long ago who was telling me how important his company was. I was interested in seeing if he would be available. He told me about their capitalization and their annual expenditures and the number of employees they had.

So then I said, "Well, now, the

Former Postmaster General J. Edward Day, a businessman who worked in Washington's goldfish bowl, describes how he kept his head above water. See page 38.

job I'm talking about has this annual appropriation, this capital plant, this many federal employees." Well, in each case the factor of difference was about three times on the government side.

What is your batting average as executive recruiter for President Johnson?

It's very difficult to quantify, because very rarely do I pose the question, or does the President pose the question, unless we are reasonably certain of an affirmative answer.

Would it be useful for more businessmen to serve in government?

I think it's highly desirable. It's great experience, for one thing.

It helps a businessman, as a businessman, to be in government?

I feel that it does, yes.

The mere fact that he has had some exposure to his government, that he knows something about the government structure and how it functions and how things are done can be very important to him.

I have talked to a number of companies about the possibility of an interchange at a certain executive level.

One problem, you see, is that some managers in business are worried about their companies. They feel that if they were to leave, they would lose their place on the escalator to the top. Someone else would move up and take their place.

I hope that we can work it out with industry so that they select the man who, upon his return, is going to find himself even farther up the escalator than he would have been if he had stayed.

I remember talking about this a number of years ago with Walter Carpenter at du Pont, and more recently with Crawford Greenewalt, the company's chairman. I think it's possible to do it.

Do you feel that a person who meets your criteria would be equally effective in government or business?

I think there are some distinctions. The point of commitment is one that is unique to the government, I feel.

Although there is great need in industry for the communicating skills, an individual who is going to fill a prominent position in government has to be particularly adept and sensitive to this, because of the great responsibility for communicating with the public about what government is doing.

We live in a fish bowl with a spotlight on it—and this is as it should be. The federal executive must be prepared to explain, as lucidly and effectively as he can, every act in which he is engaged. He has to have a certain psychological acceptance of the fact that the press, Congress, pressure groups are at all times going to be observing what he is doing and calling for an explanation.

How many federal executives will be needed in the future?

We are now making five-year projections, breaking them down into occupational and professional categories. To generalize, I'd say that government employment will remain roughly stable. We feel we can meet the new programs out of savings or contractions in other programs. So that the percentage increase in the next five years might be two or three per cent. But there will be a dramatic change in the composition.

A 17 per cent increase in professional personnel is called for over the next five years. **END**

TASK FORCE ON
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FIRST
REPORT

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Poverty is an intricate problem. If large-scale efforts — public or private — are to be made to ameliorate poverty, and are to be effective, a better understanding of poverty is essential.

Without such an understanding, public and private policies and programs could be misapplied and misdirected—and the greatest losers would be the poor themselves.

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To study the broad problem of poverty, the National Chamber sponsors an *independent*, non-partisan Task Force on Economic Growth and Opportunity. This Task Force consists of more than 100 leaders of business, industry and finance.

The first report of this Task Force is now available. It is called "The Concept of Poverty." It contains the findings of four research studies commissioned by the Task Force—and made by competent scholars—to determine who are the poor, where are the poor, why are they poor, and what are the characteristics of the poor. The research studies are:

1. "The Past and Present Poor," by Dr. Eugene Smolensky, Lilly Faculty Fellow, Graduate School of Business and Department of Economics, University of Chicago.
2. "Toward A Theory of Poverty," by Dr. Victor R. Fuchs, National Bureau of Economic Research.
3. "Poverty: Definition and Measurement," by Dr. John T. Dunlop, Chairman, Department of Economics, Harvard University.
4. "Major Elements of a Research Program for the Study of Poverty," by Dr. Herman P. Miller, Special Assistant, Office of the Director, U.S. Bureau of the Census.

A Basic Document

"The Concept of Poverty," is a basic document. It is worth owning and reading. It is worth putting into every public and school library—and into the hands of every thinking person in your community.

One to nine copies, paperbound, \$1 a copy; 10 to 99 copies, 80¢ a copy; 100 or more copies, 70¢ a copy.

THE CHAMBER OF COMMERCE OF THE UNITED STATES / WASHINGTON, D.C. 20006

Double pay for overtime:

ROBBING PETER WON'T GIVE PAUL A JOB

PAUL NEEDS A JOB. His neighbor, Peter, to help his son get the college degree he never achieved himself, is putting in eight hours a week overtime. And so are four other neighbors—one to buy a house, another to keep up furniture and car installments, another to finance his taste for bowling, hockey games and bull-roasts, and still another to pay for treatment of a mentally disturbed wife. Their overtime adds up to 40 hours—the arithmetic equivalent of a full-time job for Paul.

A more innocent age believed that unemployment would melt away under the warmth of over-all demand for goods and services, and so the \$11 billion income tax cut

was instituted last year. Demand warmed up, all right, but unemployment melted too little, and few experts count on the excise tax cuts doing the whole job either.

Thus, the search gets a bit desperate and, as a member of Congress, I shall find myself voting this summer on a measure to take away the overtime of Peter and the others in order to create jobs for the four million unemployed Pauls. The bill would seek to do this by forcing double pay for overtime in industries covered by the Fair Labor Standards Act.

This proposal is not designed to yield a higher income to Peter but to keep him from working overtime at all and to force the hiring of

Paul instead. Once the door is open there will be a drive for a 40-hour, or even a 35-hour, limit.

Will penalty overtime reduce unemployment? Is business selfish in opposing it? Is organized labor wise in pushing it? Should others—who belong neither to “business” nor to “labor”—regard it as in their best interests as earners, consumers and taxpayers?

Many of us may wonder why overtime employment takes place even in the absence of double pay. The overtime worker is stale after his regular week, and his reduced productivity and heightened liability to accidents, breakage or spoilage mean higher unit labor cost even at standard hourly pay rates.

Yet overtime in excess of 40 hours is already subject to time-and-a-half in industries covered by the Fair Labor Standards Act. The combination must even now make overtime output expensive.

Why then do employers persist in costly overtime? Why not take in new workers at standard hours and rates?

There is no shortage of reasons. Overtime labor may be needed in such small amounts, for such short periods or so irregularly that no worker could be found outside the plant who would be willing to take on the job or to stay in readiness for it.

The unemployed may lack the necessary skill and education. Firms can often save on fringe costs. Overtime workers may want the extra money. And the employer who takes on new workers and then lays them off meets union criticism, visitations from mayors and congressmen and reproachful editorials.

Thus, massive economic and

Clarence D. Long, the author, is a professional economist and Democratic member of the House of Representatives, where he is on the Appropriations Committee. Before seeking elective office, he was a professor at Johns Hopkins University, associate task force director of the first Hoover Commission, senior staff member of the President's Council of Economic Advisers and author of several books and articles on unemployment and related problems. Mr. Long regards himself as a “service congressman,” devoting considerable effort to solving the individual economic problems of the unemployed in his Second District of Maryland.



moral forces press on the employer to use overtime to meet his unusual labor needs, despite persistent unemployment. The unions are hoping that double time will do what "tired" time, at time-and-a-half rates, has been unable to do. Therefore, the urge for a higher penalty rate. The urge is understandable and the end—fuller employment—commendable but the penalty pay for overtime is a thoroughly dubious means.

First, it can not solve unemployment. If all overtime over 45 hours were translated into equivalent full-time jobs, the total would be one in nine of the unemployed.

Even these jobs become available only to the unemployed who have the education, skill, training and experience to fill them. On close examination, the Department of Labor's figures reveal that the majority of the unemployed are not in the occupations working overtime.

Two thirds of the unemployed are operatives, laborers, clerical and inexperienced workers, in occupations having only one third of the overtime hours.

Where is the evidence that these unskilled and semiskilled could do the work released from the craft, managerial, sales and service occupations—which may call for much training and experience? Where is the evidence that these unemployed could qualify for released overtime even in their own occupations in view of the fact that much of the work may be too brief to allow time for even modest training or may be in localities too remote to justify short-period transfers?

Thus, embarrassing questions arise as to whether the unemployed could fill the jobs even if penalty overtime made them available.

Double pay would raise unit labor cost, whether Peter keeps his overtime, or the less-experienced Paul is hired. How would the employer react? In some cases, the profit squeeze may cause him not to produce the extra output, and the extra jobs would not materialize. In other cases, the employer may not bid on a contract having deadlines on the ground that the double overtime rate or its alternatives would make it too risky; this refusal to bid would curtail regular-time as well.

In still other cases, the employer may try to continue full production but raise prices or lower quality to cover the extra costs. This would dilute the living standards of Peter and Paul. Higher prices may

lead the consumer to do without, shift to substitutes, or—as in the case of workclothes and shoes, under stiff competition from Japan and Czechoslovakia—buy overseas.

Again, the unemployment problem is not solved but accentuated. Further possibilities are lower profits (from higher costs and reduced volume), leading to less funds for improved plant and equipment, in turn to lower employment.

This pessimism surely rests on experience. The sponsors should be called on to show a single historical episode, here or abroad, where penalty overtime has clearly and measurably relieved unemployment, either the kind of structural unemployment that burdens us today, or the mass unemployment of the 1930's.

When it is noted that penalty overtime will not solve the unemployment problem, its sponsors retort that they are not claiming it will, that penalty overtime is only one in an arsenal of weapons. Of the four million idle, it will put to work, say, 400,000 if hours over 45 are curbed, 1,250,000 if hours over 40 are curbed.

This reminds me of a statistician friend—an imaginative fellow—who would make a "guesstimate," say, of 100 billion. To your raised eyebrow, he would respond, "All right, make it 50 billion." From then on, he had a solid figure. Guesstimates that penalty overtime will solve any of the unemployment problem are scarcely more substantial than guesstimates that it will solve all of it.

In answer to worries about bad effects on the economy—through curtailed flexibility, inflated costs and prices, squeezed profits—the proponents answer that the bill begins modestly; it cuts off hours over 48 at first and eliminates hours over 45 only after three years.

Now the double-time proposal either does bite or it doesn't. If it doesn't bite, it doesn't help, and the whole proposal is another false hope. To the extent it does bite, it will, I maintain, have bad consequences for the economy, the employer, the consumer, and for Peter who loses his overtime income.

These objections still leave out two important values.

One is the impairment of business flexibility which the penalty pay provision would involve. Ours is a complex, dynamic system, to which every day brings problems requiring quick adaptability.

Anything that ties the hands of the businessman as effectively as penalty overtime diminishes his



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OVERTIME

continued

ability to make speedy changes of production, styling, accounting, packaging, and advertising decisions, and prevents him from meeting his deadlines and keeping his costs down and his quality up. This diminished resilience means loss of orders, switches in consumer habits, and surrender to foreign competition—all leading to fewer jobs, constricted business opportunities, slower economic progress.

The second value relates to property right in a job. Any bill to make profitable corporations turn earnings over to companies losing money would be treated with deserved contempt. Yet we look complacently on a proposal to take part of a man's job and give it to someone else (who may not even be able to take it).

I would think that my fellow liberals, if they wanted to share the wealth, would start with the wealthy—not with the working man counting on overtime to earn altogether \$6,000 to \$8,000 a year to pay for his house or his children's tuition. When the full import sinks in there may be repercussions from the rank and file.

In sum, the proposal to share jobs through penalty overtime is based on a faulty understanding of the problem of unemployment. It rests on the ancient "lump of labor" fallacy that a job can be created for Paul only by taking hours from Peter.

Yet the fact that there is no fixed limit to employment, if the economy is managed wisely, ought to be apparent in the rise of private non-farm employment by over 10 million between 1950 and 1964. Unemployment between the two dates was the same percentage of the work force.

There is probably not at present any real shortage of jobs; indeed there are many signs that the number of jobs seeking workers exceeds the number of workers seeking jobs.

The unemployment of four million in the face of great aggregate demand reflects their inability to fill these vacant jobs for a multiplicity of reasons—lack of skill, education and training, emotional instability or alcoholism, extreme youth or old age, prison records or undesirable military discharges, temperament and attitude, poor health or lack of physical vigor, or discrimination because of color, old age or sex.

The city of Baltimore has given me a small volume filled with de-

scriptions of 1,000 jobs which it is currently unable to fill. Very few of the carefully pruned list of nearly 100 persons whose names I sent in for these jobs were found acceptable.

The remedy for this structural unemployment is not to curb overtime. Rather, it is to improve education and training of workers and break down job barriers.

Both remedies involve improving human nature, which takes time. But these measures at least move in the right direction.

I support most of President Johnson's proposals to help labor and to provide jobs.

I voted for the anti-poverty bill, the Appalachia bill, the education

bill, the Manpower Training and Development Act and other measures to improve worker employability. I have set up a job desk in my office, instituted a pilot program to show workers how to look for jobs on their own and introduced a bill to establish a federal Bureau of Older Workers.

Anything constructive to help the unemployed, the old or the poor will get my consideration. But I shall vote against this mischievous legislation to penalize overtime, hobble business, restrict output, raise prices, squeeze profits and rob Peter of part of his job, all to no avail in helping Paul get one. I urge my fellow congressmen to do likewise. **END**

WHEN IN WASHINGTON *continued from page 37*

When I received a box shortly after taking office, I gave it to a newspaperman who came in to see me. He considered my attitude a great joke. Senator Paul Douglas draws the line on acceptable gifts at \$2.50 face value. My own standard is a little different; if it's something you'd like to have, such as a watch or a pair of cufflinks, don't take it from any source with which you will have even a remote official relationship. If it's something you don't want at all—a plaque, a key to a city, a paperweight—go ahead and take it.

After I had dedicated a post office in Virginia, a hospitable chamber of commerce official sent me a Smithfield ham. Recalling that just such a ham had caused a furor in the Truman era, I quickly disposed of the offending viand, thrusting it on a none-too-affluent messenger in the office.

Then, careful not to have anything that smacked of illicit dealings on the record, I wrote to the chamber of commerce man and thanked him for his "hospitality and generosity."

Vague enough, I thought, for prying eyes, but specific enough so that my benefactor would feel requited. Instead, he felt put out. His expostulation, "But you didn't thank me for that ham," came by return mail.

I had no idea what to do when a Middle Eastern postal chief gave me a handsome album of his country's stamps. But not long afterward I was talking to a man working on the Administration's conflict-of-interest rules. I brought out the album to ask him about it.

Unknown to me he was an avid stamp collector and, when he saw the album, his eyes lit up. You can guess who has it now.

Another problem that confronts higher officials is the rule on government automobiles. Cabinet members and a few others are permitted to have their government limousines pick them up at their homes in the morning and deliver them back at night. Others a bit down the chain of command cannot. When the brilliant and hard-working David Bell first became Director of the Budget, he took the bus to his office. When he arrived there a chauffeured limousine awaited his full-time use. Knowing how hard-pressed he was for time and how overworked, I told him he was foolish not to ride to and from his office in the government car, since it would give him a chance to do some of his official reading en route.

Should a Cabinet officer's wife ride to the grocery store in his government limousine? My wife and I didn't think so, but I was told that it was always done and that my wife should feel free to do it. (She didn't.)

In the capital of the Western world, press and partisans hover ready to pounce at the merest hint of error. Merciless on the scent of sin, they rip and tear their prey for very slight cause, giving no quarter. This is well illustrated by the case of Roswell Gilpatric, a case which lends credibility and poignancy to the Sargent Shriver anecdote. Gilpatric left a large New York law firm to come to Washington in the enormously difficult job of Deputy Secretary of Defense. He said

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R·E·A EXPRESS

WASHINGTON

continued

at the outset that he could stay only two and a half years and, in the winter of 1962-1963, he announced that he would resign on July 1, as he had planned. In May and June there were a great many goodbye parties for the Gilpatrics.

In the meantime the storm over the TFX fighter-bomber contract blew up. The contract was potentially worth \$6 billion. It was awarded to General Dynamics, but some thought it should have gone to Boeing. The battle raged hot and heavy before Senator McClellan's committee.

As a key witness, Gilpatric was warned that he must defend his choice of General Dynamics. The investigating committee called this one and that one to testify, but Gilpatric was left to cool his heels in the midsummer heat. July passed, and all of the summer and the fall, too, before Gilpatric was finally called to the stand. Then, to add insult to injury, a Republican Congressman burst into print on November 1 charging Gilpatric with conflict of interest and then *demanding* that he resign.

Granted all this, why would anyone want to take a position with the government, especially if it means, as it often does, giving up a prestigious, well paying civilian job?

Why work for uncle?

I have been in and out of government twice, once in Illinois, once in Washington, and received immeasurable satisfaction from both experiences. Many people ask me why a man is willing to risk the abuse and harassment that can

come with high public office. The question of what motivates us to take risks and assume burdens when there are easier alternatives is a difficult one; its answer is complex. Someone once said that aside from food and drink and such physical needs, man has four basic desires: for importance, for new experience, for security, for appreciation.

I believe most people who take up positions on the exposed front line of public life do it partly because they want to feel important, but mainly because they seek new experience. (Security has nothing to do with it, and appreciation shouldn't have.) No one wants to be bored, and life in Washington is seldom boring, which explains why—with all the drawbacks—very few men who come to the Capital in important jobs ever want to leave.

A few persons come to Washington for pure, idealistic reasons, searching for meaning and significance in their working lives. Many more come for the excitement, for the glamor of power and publicity.

The sad ones are those who come expecting to be appreciated. They are in for endless frustration. The press and public insist—despite modest pay scales—that all top government jobs are plums which obviously have been eagerly sought after and are being avidly clung to by the incumbents. As a result, they don't see why anyone should be admired or appreciated for holding the job. "Sacrifice" in government service is a polite bromide, but it is not taken seriously by the rank and file of press and public.

No one should expect gratitude.

I once suggested that the name of a particular man be added to a list of Post Office Department people to be recognized with a meritorious service certificate. He received all kinds of publicity and bubbled with appreciation at the time. But a few weeks later his supervisor called and said the man had told him that since the Department had recognized the high order of his merits he ought to get a substantial raise from his current "ditch digger's wages," as he evaluated them.

Keeping in mind these early lessons, such an orientation course should keep newly arrived government officials out of trouble, but not necessarily off the griddle; away from major disappointments, but not necessarily impervious to sudden shocks.

When you're new to Washington, don't be too impressed by those who put on a good show. One lobbyist

actually convinced his out-of-town boss that he had an "inside track" by getting the boss's friends and relatives tickets to the Senate Visitors' Gallery. The tickets are available for the asking in any Senator's office.

And don't believe all you read. At a convention I attended, the printed program called for a friend of mine to make a speech at the morning session. At lunch time, two people congratulated him on his fine speech. Their flattery missed its mark since his speech had been postponed until the afternoon session.

Learn how to get along with Mother Bell. Let it be said, the telephone can be a tyrant. In this electronically advanced stage of civilization, where the telephone's been ringing for 90 years, secretaries and switchboard operators still go into a tizzy over any and every long-distance call as though it were the first one coming through from outer space. There's no reason why a long-distance caller should be allowed to interrupt a meeting with a man who's taken the trouble to visit you in person.

Most urgent telephone messages can just as easily be transmitted by capsule version through your secretary. And if you're the one who's calling, don't assume when you do get through that your party has been sitting there eating bonbons and idly reading movie magazines.

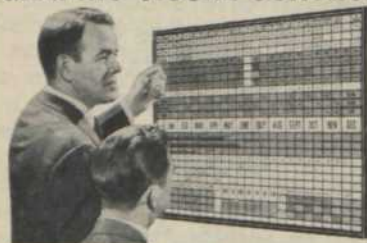
Busy? Hang up on yourself

If you have a real pest on the telephone and can't break off the conversation, never hang up while he is talking. He'd be insulted, of course. However, you can safely hang up while *you* are talking; he'll think you were accidentally cut off because obviously no one would want to hang up on his own voice.

No one who asks you to make a speech or attend a gathering will take it with good grace if you honestly say you are too busy, too tired, or must spend more time with your family. The only acceptable answer is, "Sorry, I have a previous commitment." And that requires careful record-keeping so that he doesn't find out that you later accepted another invitation. Don't be like the lady who said, "Sorry, I have a subsequent engagement."

One day the "hot line" direct-wire telephone from the White House buzzed at my desk. A presidential assistant advised that while the President had been dictating some letters to a stenographer, she had taken up with him the prob-

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lem of her brother who wanted to be a letter carrier but was having difficulty with the civil service requirements. The President wanted the matter looked into. The difficulty turned out not to be serious and I soon had it cleared up. But I couldn't help wondering about the attitude of people who expect the President of the United States, with all his crushing responsibilities, to take time to perform chores suitable for a political precinct captain.

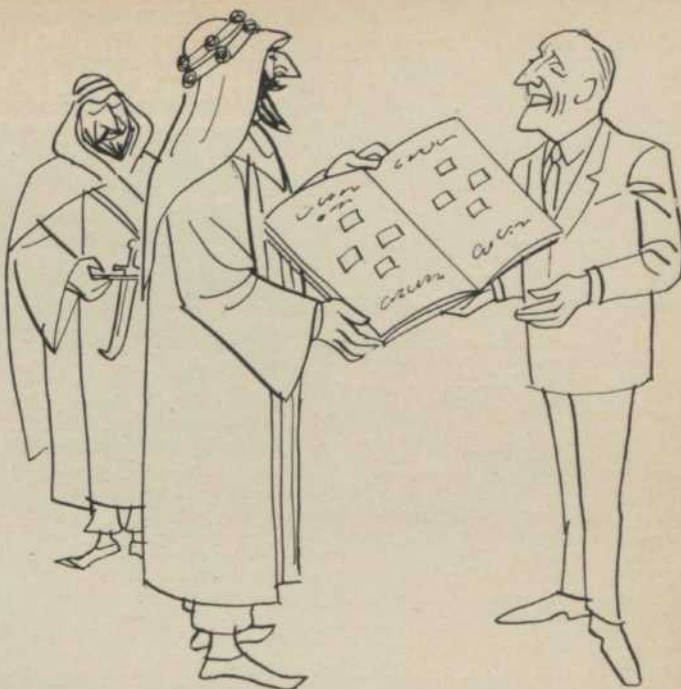
Don't become bogged down with time wasters out of a desire to be kind.

But business can be transacted more easily with people you have gotten to know on a first-name basis, so don't avoid social gatherings. People will insult a stranger in a letter, but seldom an acquaintance to his face.

So J.F.K. took the blame

Another rule for the officeholder, which is hard to adjust to because the public simply refuses to understand there must be such a rule, is that the top man must stoically take the heat for mistakes of judgment committed by his staff.

The press at times likes to act as



"I had no idea what to do when a Middle Eastern postal chief gave me a handsome album of stamps."

"Another problem that confronts higher officials is the rule on use of government automobiles."



though it thought every decision on every detail was in fact made by the man in charge himself. But delegation, which all the experts admit is the only way to rescue a big organization from chaos and its leader from ulcers, must, in order to work, mean that subordinates are given leeway not just to make decisions but also to make occasional well-meant mistakes. After the New York *Herald Tribune* failed to feature Democratic charges about "stockpiling" of strategic materials during the Eisenhower days, the press announced that President Kennedy had canceled the White House subscription. He told me not long afterward that he never knew the subscription had been canceled (by one of his staff) until he read it in the paper, but, although he wished the cancellation hadn't happened, he had to stand back of it.

Public life would be no fun without a few fights. One becomes known for his enemies as well as his friends. But don't fight on too many fronts at once.

Primed with these precepts, an innocent federal appointee should be able to make his way through Washington, side-stepping scandals, shrugging off vicuña coats, and keeping his feet, not his seat, on the ground. He may even enjoy it. **END**

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Business opinion:

(continued from page 12)

ate of 1929, has been without employment or earning power since 1957, when last in an office engineering job. Yet he cannot get either relief, or welfare, or social security, or unemployment compensation, or new employment, however desperately he needs work which is gainful and which will not create greater losses than doing nothing does.

W. A. SPERRY
Mankato, Minn.

To the Editor:

The problem of securing even laborers is terrific. Skilled workers are smarter and know even better at what time they are eligible (for unemployment benefits). The claims that are passed over my desk (most of them approved by claims deputies) bear some of the most ridiculous reasons for eligibility that the human mind can conjure up.

Thank you for this excellent portrayal of a situation that is robbing our nation of creative skills, craftsmen and even honest laborers.

MRS. CAROL G. THOMPSON
Office manager
William E. Dillard Construction Co.
Sylva, N.C.

To the Editor:

Frankly, I do not think there has ever been a will to work in the state employment agencies.

D. BRUCE BERRY
Chicago

To the Editor:

The article was the most accurate coverage of the subject printed in a national publication to date.

J. LOWELL HAWKINSON
President
Availability, Inc.
Rockford, Ill.

Utopia not here—yet

To the Editor:

The article "Why Recessions are Obsolete" [May], by Robinson Newcomb, is an extremely dangerous piece of dreaming.

It seems to me that we are again at a point where more people are saying that we have reached Utopia and that we are so brilliant and ingenious that we can never again have the problems that our stupid forebears fell victim to. The more there is of this type of thinking, the closer we are probably coming to a serious disruption.

OWEN G. HYDE
General agent
London Guarantee and Accident Co.
Detroit

'SMALL' BUSINESSES: BIG SUPPLIERS FOR WESTERN ELECTRIC

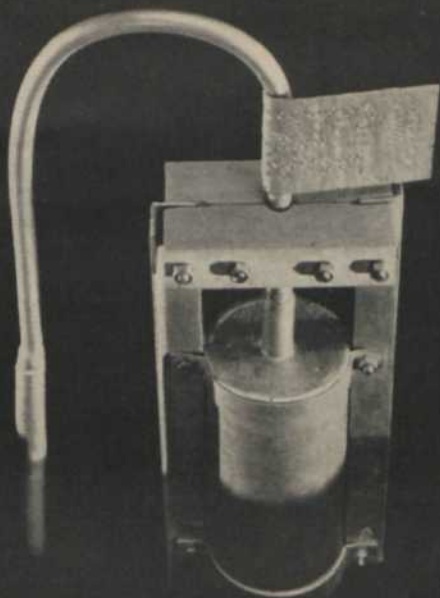
Western Electric buys more than 150,000 separate items—and most of them from "small" businesses. In fact, the Small Business Administration classification of "small business" applies to 90% of the more than 40,000 suppliers who help us carry out the vital job of providing the Bell telephone companies with reliable communications equip-

ment at a reasonable cost.

One of these firms is Midwec Corporation, Oshkosh, Nebraska. They took the initiative in setting up manufacturing facilities for making special units which are spliced into telephone cable in manholes. They help prevent interference on the communications channels. Since Midwec began production of these

items they have suggested refinements that have made the product even better.

If your company has products that might interest us, write for our booklet, "Glad to See You!", Room 16M, 195 Broadway, N. Y., N. Y. 10007. Or get in touch with the buyer at one of Western Electric's plants.



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President Johnson is urging Congress to "ensure uniform application of our national labor relations policy by the repeal of" the right-to-work laws.

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Lyndon Johnson is a man who knows more than one way to skin most political cats. If "uniform application" is what the President really wants we can also have uniformity by giving everyone the right to work in all 50 states.

The budget squeeze

Starting its new fiscal year, Washington is doing plenty of pointing with pride. You'd think Uncle Sam was really giving the people a new deal.

We're getting a long-overdue excise tax cut, practically on the heels of equally overdue income tax reductions.

And the Administration boasts that its budget will still be squeezed below \$100 billion.

But the fiscal fact is that the federal government this year will spend more than we the people will spend for all our kids' college bills, all the new cars we will buy, all our trips abroad, all the drugs and medicines we'll use and all the food all of us will eat.

How's your budget?

Nation's Business • July 1965

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